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FINANCIAL TIMES

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NEWS SUMMARY

Israelis raid Lebanon

Israel last night launched a raid into Lebanon as part of reprisals for last Saturday's terrorist attack near Tel Aviv. Israeli Army headquarters confirmed the striye buf censorship prevented the reporting of further details.

In Washington, reporters at the State Department were told that Israel had launched a rataliatory raid against Palestinian guerillas along the border with Lebanon The Israeli army did not give any details of the area or the number of troops involved.

A statement by the Palestinian Liberation Organisation said Israeli troops were massing in areas controlled by the Right-wing Christian Militia.

The Israeli statement said the aim of the operation was not to retaliate for the crimes of terrorists.

"There cannot be retaliation for the barbaric massacre of innocent people—men, women and children," Instead, it was intended "to defend the State and prevent raids b ythe fatah and the PLO, which use Lebanese territory to attack Israeli citizens." Begin plan, Page 3.

GENERAL

Dutch hostages freed

The Dutch siege ended when marines stormed the town hall in Assen and freed 70 hostages, four of whom were slightly hurt in the operation. Three South Moluccan terrorists were captured.

Dutch authorities ordered the attack when they became convinced the hostages were about to be harmed.

The 29-hour siege claimed one life—a man killed in the first minutes of the terrorist attack. His body was thrown from a window and the gunmen refused to allow an ambulance to take him away. Page 2

Defence support

The Commons endorsed the Government's defence policy by 276 votes to 246—a majority of 30—at the end of a two-day debate. Some Labour Left-wingers abstained after earlier voting with the Government to reject, by a majority of 39, Tory charges that it had damaged U.K. security.

Rhodesia setback

Patriotic Front leaders have rejected the latest Anglo-U.S. plan to hold a conference on Rhodesia. The move came after two hours of talks between Dr. David Owen, Foreign Secretary, and Mr. Robert Mugabe and Mr. Joshua Nkomo. Back Page

French arms deal

France has signed a military co-operation and arms agreement with the Arab Industries Organisation, a consortium of Egypt, Saudi Arabia, the United Arab Emirates and Qatar. The agreement is similar to the one agreed between Britain and the AIO last December. Page 2

Election attack

Leaders of France's ruling coalition have attacked the declaration of unity drawn up by the Left prior to next Sunday's second-round voting in the general election. Coalition leaders reaffirmed that they would put their strength behind a single candidate in the seats where there will be a run-off. Back and Page 2; Editorial comment Page 22

Kettering re-run

Left-wing efforts to get a candidate to its taste for Kettering in the next election suffered a setback when Labour Party officials decided to re-run last Friday's constituency executive meeting at which a short list of six was compiled. Parliament Page 10

Briefly . . .

Dr. David Owen, Foreign Secretary, will meet his Spanish counterpart in Paris to-day about the Gibraltar issue. Page 2

Twenty-two water colours by Francis Towne were sold at Christie's for £48,230. Saleroom Page 8

Canada has urged a UN legal committee to work out strict rules governing the use of nuclear power in space.

Soccer—Second Division Orient beat First Division Middlesbrough 2-1 in their FA Cup sixth round replay last night to qualify for a semi-final against Arsenal.

BUSINESS

Equities steady; Gilts gain

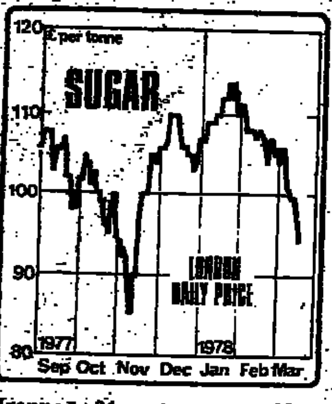
● EQUITIES traded within narrow limits and the FT Ordinary Index closed 0.8 up at 460.4. The gold mines Index rose 4.8 further to 166.30.

● GILTS closed with small gains in most sectors and the Government Securities Index rose 0.17 to 75.82, its highest since the end of January.

● STERLING gained ground in late trading and closed 45 points up at $1.9150, its trade-weighted index up at 64.6 (64.4). The dollar dropped to a new low against the Yen, in spite of heavy Bank of Japan support. The dollar's depreciation was 5.26 per cent. (5.10). (Back Page)

● GOLD rose $1 to $187¼.

● SUGAR London Daily Price



dropped £4 a tonne to £94—the lowest since mid-November.

● WALL STREET closed 2.60 up at 762.56.

● EEC Commission director general for external relations, Sir Roy Denman, has said that failure to reach satisfactory agreement at the EEC and Japanese trade talks could have serious consequences for the world trade system. Back Page

● CADBURY SCHWEPPES has been criticised by the Price Commission for offering trade discounts to major customers unrelated to cost savings and which discriminated against smaller traders. Back Page

● CBI LEADERS meet to-day to consider the concessions wrung so far from Ministers over the use of contracts to force compliance with pay guidelines. Page 8

LABOUR

● POWER WORKERS union leaders are to put a pay offer that is "within Government guidelines" to a ballot of some 93,000 electricity workers. Back Page

COMPANIES

● BROOKE BOND pre-tax profits for the half year to December 31 improved by £6.37m. to £22.65m. as overseas profits offset a decline in the U.K. Page 26 and Lex

● CURTISS-WRIGHT has informed the U.S. Securities and Exchange Commission that it has acquired nearly 10 per cent. of Kennecott Copper. Page 30

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 13¼pc '93	£117¾	+ ½
Beaumont Props.	39	+ 5
Brisford (S. and W.)	211	+ 9
Ray Electronics	35	+ 6
Desoutter Bros.	136	+ 5
Ductile Steels	117	+ 4
East Lancs. Paper	52	+ 5
Fairview Estates	100	+ 3
Guinness Peat	210	+ 5
Inde Intnl.	88	+ 4
Laurence Scott	118	+ 6
Lloyds Bank	267	+ 7
Lucas Inds.	284	+ 7
Moore O'Ferrall	94	+ 12
Laws Intnl.	245	+ 5
Peachey Prop.	80	+ 5
Rolls-Royce Motors	78½	+ 2½
Sime Darby	122	+ 6
Smiths Inds.	166	+ 4
Stewart Plastics	125	+ 7
Vosper	169	+ 7
Yule Catto	86	+ 4
Plantation Hldgs.	67½	+ 3
Bishopsgate Plat.	80	+ 3
Doornfontein	308	+ 16
Falcon Mines	195	+ 5
Randfontein Ests.	£36½	+ ½
Rustenburg Plat.	90	+ 4
Wankie Colliery	40	+ 4
West Drie.	£19	+ ⅜
Wit. Nigel	51	+ 6

FALLS

Glaxo	523	− 7
Grindlays Hldgs.	115	− 5
McBride (R.)	340	− 10
Turner and Newall	182	− 5

Investment to be scrapped in new Varley steel plan

BY ROY HODSON

Mr. James Callaghan and senior Cabinet colleagues are now agreed that radical surgery must be used to save the British Steel Corporation.

The Government statement on British Steel to be made to the Commons next week by Mr. Eric Varley, Industry Secretary, will contain three main elements, all of which have been bitterly contested by some ministers.

● Virtually all investment plans which would increase steelmaking capacity in Britain in the next five years will be scrapped. The following schemes will be shelved: the £835m. project to double Port Talbot; electric arc furnaces promised for Hunterston, Ravenscraig and Shelton; and the £200m. Teesside plate mill.

● Nearly 40,000 jobs are to be abolished during the same period. A much reduced investment programme will concentrate on producing the same amount of steel with fewer workers. The target is to cut 15,000 jobs this year.

● In return for abandoning growth and reshaping production most or all of British Steel's £4bn. debt to the Treasury will be written-off. A new public financing system, tailor-made to meet the corporation's difficulties, will be provided.

Mr. Gerald Kaufman, Minister of State at the Industry Department, has had the responsibility of preparing a strategy to turn round the corporation, which is expected to lose about £500m. in the present financial year. His committee's view, supported by the Industry Department, is that British Steel does not need to grow bigger between now and the early 1980s to cater for home and potential export demands.

Cash available for investment should be used instead to improve the quality of the corporation's products.

British Steel's own financial forecasts predict losses of £220m. in the financial year 1978-1979. Thereafter the corporation expects small profits or losses for two years, and a return to solid profits as high as £200m. in 1982-83. The estimates do not provide for servicing public sector debts.

Ministers are inclined to be sceptical about these forecasts. Whitehall believes that profitable steel exports will be harder to achieve in view of the growing output of good quality steel from new works in developing countries.

The Government is prepared to relieve British Steel of its heavy burden of debt by writing-off the larger part of the £2bn. in Public Dividend Capital and £1.5bn. in National Loan Fund capital the corporation owes.

The problem facing Ministers has been how to provide British Steel with modest quantities of new investment finance (to improve quality, not to increase production) while the corporation is likely to continue to lose money.

A device which is being called Public Cumulative Capital (PCC) has been invented specifically to solve British Steel's problem. The difference between Public Dividend Capital and Public Cumulative Capital is that the latter system provides for the interest upon the loan to accumulate as debt during non-profitable years, to be repaid later when British Steel is making profits.

Some members of the Government, notably Mr. Joel Barnett, chief secretary to the Treasury, would prefer to bail our British Steel with straight financial grants. But there have been warnings that, in the present sensitive state of the international steel trade, such grants might be seen by foreign governments as unfair production subsidies for steel made by the state-run British Steel.

The corporation's capital spending is to be reduced from the current £500m. a year to under £200m. a year of which 50 per cent. will have to be specifically earmarked for improving steel quality.

The British way of redundancy Page 22

Britain loses argument over cheap air fares

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, March 14.

THE U.S. appears to have prevailed over Britain in the dispute over introduction of cheap transatlantic air travel.

Negotiators for the two countries, conferring here under the Friday deadline set by President Carter, ended their talks in the small hours of this morning with the British having reportedly conceded most of the outstanding issues.

Later, however, the American side is understood to have toughened its position, with the result that Mr. Patrick Shovelton, the Assistant Secretary at the Ministry of Trade, broke off another session this afternoon.

Barring last-minute hitches, an announcement is nevertheless expected within the next 24 hours.

There had earlier been two late developments suggesting that the British had lost their argument that more time was needed to study the impact of cheap fares.

First, late last night, British Airways announced in New York that it would seek permission to extend low-cost stand-by fares to seven American cities, in addition to New York.

The airline's move was followed to-day by British Caledonian, which announced in London that it would offer a £69 eleventh-hour stand-by fare between London and Houston, Texas, from Monday.

Second, the U.S. revealed that it had signed a new aviation agreement with the Netherlands under which both countries agreed to accept any low fare discounts and charter packages the other offered.

In return for an extension of the low fare regime favoured by the Americans, KLM, the Dutch airline, will be granted access to two new U.S. "gateway" cities—Los Angeles and another yet to be determined.

Until now, most European governments have backed the British position on cheap transatlantic air travel, but the Dutch agreement clearly cracks that solidarity.

It will clearly be a factor in the talks, due to start this week between U.S. officials and representatives of West European civil aviation and in the bilateral American discussions with Japan.

As far as the British negotiations are concerned, final agreement on charter flights has yet to be hammered out. This was to have been the main issue in the present round of talks, but has been overshadowed by the dispute over cheap air fares.

This issue was brought to a head two weeks ago when Braniff, a U.S. carrier, was denied permission to start cut-price flights between Dallas and London.

The American Civil Aeronautics Board contemplated stopping British Caledonian from flying the London-Houston run in retaliation. The threat was withdrawn on the intervention of President Carter, who at the same time set a deadline of March 17 for the two sides to reach a settlement.

British Airways proposed stand-by fares to London*.

From:	
Washington	$162
Philadelphia	$151
Boston	$143
Detroit	$169
Chicago	$171
Los Angeles & San Francisco	$227

* Fares from London would be slightly less.

U.K. bond-rating service

BY MARY CAMPBELL

A SCHEME to rate the quality of bonds issued by British companies was announced yesterday by Extel Statistical Services. Companies which have issued debentures or loan stock are also to be separately graded according to their ability to service their debt.

The rating system is to be presented in London to-day to analysts from about 180 stockbrokers, institutional investors and other interested parties.

The service initially will cover 1,300 bonds issued by 700 British companies. Financial and property companies are not included at this stage, but if the service is a success they are likely to be added.

The scheme is intended as a rule of thumb to provide a quick guide to the relative quality of companies and issues for bond investors and portfolio managers who do not have the resources to study each company and trust deed in depth for themselves.

Companies and issues are to be graded from A to E, but the narrow criteria employed mean that the scheme is not intended, for example, as a share-tipping service.

In contrast to the U.S. rating system, companies will not be charged for ratings: the cost will be borne by a £300 per annum charge to subscribers. This compares to £900 for the full Extel service.

The scheme is based on several years' work by a joint study group of the Society of Investment Analysts and the Institute of Actuaries. Ratings will normally be allotted on the initial issue of a new stock or on publication of the company's report and accounts. Subscribers will receive monthly updating sheets.

Each new rating is to be sent to the company concerned for comment before being finally decided

News Analysis Page 28

New deal in U.S. coal strike

By Stewart Fleming

NEW YORK, March 14.

UNION AND management leaders this afternoon announced a tentative settlement of the 99-day U.S. coal strike.

Neither side was releasing details of the new pact—the third to be announced in six weeks—but unofficial reports suggest that the coal companies have either withdrawn or modified the clauses which led miners to reject two previous agreements.

Announcing the new pact, Mr. Arnold Miller, the union president, said he would be calling the union's 39-member bargaining council together as soon as possible.

Ballot

The council must approve the proposed agreement before it can be sent to the miners themselves for a secret ballot. Mr. Miller predicted that the council would approve the pact, calling it "a pretty good package."

This apparent victory for the miners in their efforts to resist the coal companies' attempts to impose tough new disciplinary procedures on them will force the bituminous coal industry to review its approach to industrial relations.

Early leaks on the new contract indicate that the employers have withdrawn clauses in the three-year contract which could have led to the dismissal of miners for "fomenting" unofficial strikes.

Instead, disputes over disciplining miners will again have to go to the cumbersome arbitration machinery.

Instead of having to pay up to $700 of the initial costs of any medical charges they or their families incur miners will now have to pay only $200.

But they will secure the same 31 per cent. increase in average wages—a $2.42-an-hour increase to $10.20 an hour over the three years.

Approval

The only significant victory for the coal companies appears to be a clause which will allow productivity deals to be made at the mines subject to local union approval.

It is far from clear whether the Carter Administration which began its active intervention in the dispute early last month, will be able to draw much credit if the miners approve the terms of the latest settlement.

It will, however, be much relieved if the agreement goes through.

Trade back in surplus by £184m.

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN'S current account swung sharply back into surplus last month after the exceptionally large deficit in January.

The improvement was £418m. for a surplus of £184m., the largest since last September. Export volume was particularly buoyant, rising by 14 per cent. to a new record level.

The news had a favourable impact on both the gilt-edged and foreign exchange markets. The pound rose by roughly 1½ cents yesterday afternoon from the day's low, to touch a high of $1.9175, before closing 45 points up on the day at $1.9150. The trade-weighted index rose 0.2 to 64.6, in contrast to its steady decline in the last few days.

The figures, the last to be published before the April 11 Budget, will remove some of the gloomier doubts created by the January deficit. So the general expectation of a sizeable surplus this year still stands, with latest official estimates unlikely to be significantly below last October's Treasury projections of £1.5bn.

But the underlying volume trends are not wholly favourable. They will reinforce the increased recent official caution about the trade prospects from the late autumn onwards, as a result of both the slow growth of world trade and the erosion of the U.K.'s price competitive position.

Consequently, the current account has re-emerged as a constraint on the rate of economic growth and on the size of reflationary action. But the net Budget stimulus still looks like being around £2bn net.

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Editorial comment Page 22

In the Commons yesterday, Mr. James Callaghan said that both tax cuts and increased public expenditure were needed to get the economy going and both would happen this year

The improvement in the current account in February still leavs a deficit of £24m. over the last three months, compared with a surplus of £523m. in the previous quarter.

The underlying trend of export volume was growing again, for for the first time since the late summer. The rise on a three-month comparison (after excluding erratic items) was 1½ per cent., and slightly less for manufactured goods.

This is much less than the rate of growth a year ago, but is in line with the general downgrading of export volume expectations.

However, imports appear to be still somewhat higher than expected, in spite of a 3½ per cent. fall in volume last month. On a three-month comparison, volume (again excluding erratic items) was 9 per cent. up.

Although purchases of finished manufactured goods are at a high level—up 6½ per cent. in volume on a three-month basis—the surprising feature is the sharp increase in imports of semi-manufactured goods. These have risen by 9 per cent. in the last three months (after excluding precious stones), though a partial explanation could be re-stocking ahead of a general up-turn in activity.

Volume

These trends in export and import volume, while less favourable than last year, should be largely offset in their impact on the current account by the improvement in the terms of trade—the ratio of export to import prices—following the rise in sterling last autumn and in January.

The terms of trade index is now nearly 4 per cent. higher than the average level last year, but it could have reached its peak. In February, for the first time since last July, the index fell slightly as a result of the recent fall in sterling.

The trade-weighted index was last night 2.9 per cent. lower than at the end of January. The authorities do not appear displeased with a gentle depreciation, in view of the increased concern about erosion of the price advantage secured in 1976.

BALANCE OF PAYMENTS
£m. seasonally adjusted

	Visible trade	Invisibles	Current account
1976	−3,510	+2,403	−1,107
1977	−1,612	+1,577	− 35
1st	− 947	+ 442	− 505
2nd	− 764	+ 400	− 364
3rd	+ 54	+ 429	+ 483
4th	+ 45	+ 306	+ 351
Nov.	+ 68	+ 102	+ 170
Dec.	− 76	+ 102	+ 26
1978 Jan.	− 334	+ 100	− 234
Feb.	+ 84	+ 100	+ 184

Source: Department of Trade

£ in New York

—	March 14	Previous
Spot	$1.9020-1.9050	$1.9060-1.9100
1 month	0.01-0.05 prem	[illegible]
3 months	0.05-0.03 dis	0.12-0.07 dis
12 months	0.65-0.55 dis	0.80-0.70 dis

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For latest Share Index 'phone 01-246 8026

EUROPEAN NEWS

Dutch marines free Moluccan siege hostages

BY CHARLES BATCHELOR AMSTERDAM, March 14.

MARINES STORMED the provincial town hall in the northern Dutch town of Assen to-day and freed 70 hostages held by South Moluccan gunmen. Four of the hostages were slightly hurt in the 20-minute rescue operation and three South Moluccans were taken prisoner.

The Dutch authorities gave the order to attack at 2.34 p.m.—34 minutes after the expiry of the deadline set by the gunmen for the release of 21 South Moluccans serving prison terms for earlier terrorist acts. The deadline had passed without incident but the authorities were convinced that action to harm the hostages—15 women and 55 men—was imminent.

The attack began when two platoons of a "special support unit" of marines ran in through the main entrance of the building. They set off explosive charges, apparently to confuse and stun the gunmen, and after a short burst of firing the operation was over.

The 29-hour occupation of the town hall, a modern building in extensive grounds on the outskirts of Assen, resulted in one death. A man who was killed in the first minutes of the terrorists' attack was thrown from a window. His body lay all night in the grounds of the town hall with the Moluccans refusing to let police or an ambulance approach. Four people were also hurt, one seriously, in the flight from the building yesterday and in subsequent shooting from windows.

The decision to attack the town hall was taken when it appeared that the terrorists would carry out their threat to harm the hostages, Justice Minister Jacob de Ruiter told Parliament immediately after the rescue operation.

The South Moluccans involved in this attack appeared more ruthless than those responsible for two earlier incidents in the past three years.

Telephone conversations between the occupiers and the outside world and information given by a young woman released this morning also showed there were only three gunmen and they were only lightly armed. The authorities at first put the number of occupiers at between four and six. Finally, telephone contact with the hostages revealed that conditions in the town hall just before the expiry of the deadline were critical.

Two South Moluccan mediators admitted to the building early to-day brought back a message in which the terrorists threatened to shoot two provincial politicians among the hostages if their demands were not met. A hostage would be shot every half hour starting at 2.30 p.m., they said. According to one hostage the two politicians were kept apart from the remaining prisoners and were bound to chairs.

Prime Minister Dries van Agt, who as Justice Minister was closely involved in the two previous incidents, appealed to the Dutch people to accept that the latest attack was the action of a small group of ill-advised young people and that it was nut supported by the South Moluccan community in general.

In a statement to Parliament, Mr. van Agt expressed the Government's concern at the likely impact of such an incident, coming so shortly after previous attacks, on relations between the South Moluccans and the Dutch population.

"We are convinced that the policies which we have begun must be continued. Discussions with the joint Dutch-South Moluccan Commission, the Committee for Moluccan Welfare and the Federation of Dutch Municipalities planned for Thursday on the Government's Moluccan memorandum will go ahead as planned," he said.

"We are pleased at the outcome of the rescue action, just as we are shocked and disappointed that such an attack has been repeated by some Young Moluccans. We regret that we had to end the occupation in this way."

To-day's rapid response to hostage-taking indicates, however, a tougher line is being taken by the new Centre-Right administration. The Dutch have also become aware of the strains a long seige imposes on the hostages.

One of the hostages is reunited with his daughter (left) after the lifting of the seige. Right, one of the people injured in the marine s attack is rushed to a hospital.

Schmidt tries to avert disruption in key industries

BY ADRIAN DICKS BONN, March 14.

AS WEST Germany faces the relatively unaccustomed experience of simultaneous disruptions in two major industries to-morrow, Chancellor Helmut Schmidt was due to hold emergency talks to-night with the executive committee of the Deutsche Gewerkschaftsbund (DGB), the counterpart to the British TUC.

The two industries are engineering, where the first regional strikes in a dispute which could spread to the rest of the country begin in the south west at midnight, and newspapers, where a bitter dispute over the future of skilled printers has been simmering for months, with repeated strikes and lock-outs.

Although the Chancellor has so far shown himself unwilling to depart from the Government's traditional aloofness from industrial disputes, it is believed that the DGB might try to persuade him to bring the prestige of his office to bear on peace efforts in the printing industry.

Earlier to-day, sources close to the Chancellor ruled out any direct mediation effort by Herr Schmidt, as suggested by the journalists' union on Monday, but did not exclude some less direct form of intervention.

Meanwhile, most of the country's daily newspaper publishers this morning imposed a national lock-out on all their printing and production workers, in retaliation for the "annihilation strikes" against individual papers in four cities, which are now in their third week.

In the engineering industry, some 65,000 workers in the North Wuerttemberg-North Baden region are being called out on strike from mid-night to-night. Their union, IG-Metall, has selected 60 plants in the region, centred around Stuttgart, for immediate action, including factories belonging to Daimler-Benz, Porsche, Robert Bosch and Standard Elektrik Lorenz.

Despite the coincidence of the printing lock-outs and the metal industry strikes, the two disputes differ in several important ways. The engineering strikes come at the end of a long, yet classically West German, process of negotiations, arbitration, threats, last-ditch mediation efforts and finally carefully-controlled strike calls.

North Wuerttemberg - North Baden, which is the second biggest of the country's wage bargaining regions after North Rhine-Westphalia, is traditionally a key in setting wage and fringe benefit terms for the rest of West Germany.

IG-Metall, which is holding out for at least 5 per cent. more wages against an employers' final offer of about 4 per cent., is claiming similar wages in other regions. So far as the wage issue alone is concerned, therefore, the strikes are a test for the nation, and could spread to other regions if IG-Metall wants to step up the pressure.

Engineering workers have already voted the union strike powers in North Rhine-Westphalia, while negotiations in other regions and with some companies, including Volkswagen, have reached deadlock.

What is not, however, strictly transferable is the union's claim in North Wuerttemberg-North Baden for job security and wage category guarantees for engineering workers affected by rationalisation. Both IG-Metall and the employers see this as being at least as important a precedent as the wage settlement itself.

The printing industry dispute, which has now been going on for the better part of two years, is likely to prove even more intractable. Herr Schmidt may well have been advised that he has little prospect of bringing the two bitterly angry sides closer where no less a person than Herr Josef Stingl, the highly-respected head of the independent Federal Labour Office failed over the week-end.

At issue are the terms under which skilled printers are to be employed under the new electronic type-setting and composing technology which newspapers and some general printers want to introduce.

The printers' union, IG-Druck, wants the jobs of setting copy and composing pages to be reserved for its members alone, as they are with the hot metal process. It is well aware that the new technology allows either journalists or clerical staff to do this work with video terminals.

EEC rate of growth likely 3%

BRUSSELS, March 14.

THE 1978 growth in the gross national product of the European Community is likely to be 2.8 to 3 per cent. in real, or price adjusted, terms instead of 3.5 per cent. projected a month ago, according to latest assesments of the EEC Commission.

This, sources said, would be communicated to EEC members when their economics and finance ministers meet next Monday.

M. Francois Xavier Ortoli, the Economics and Finance Commissioner, will inform ministers that the real GNP growth in 1977 fell short of the anticipated 2.4 per cent. and was, most likely, 1.9 per cent.

Measures taken by several member states to stimulate their economies this year will not be sufficient to attain a growth of 4-4.5 per cent. in real GNP this year, the ministers are likelyt o be warned by M. Ortoli. Such a growth is needed to reduce unemployment.

The Commission anticipates a jobless rate for 1978 averaging 5.6 per cent. compared with 5.4 per cent. in 1977. AP-DJ

Owen in Gibraltar talks with Spanish

By Our Own Correspondent
GIBRALTAR, March 14.

DR. DAVID Owen, the British Foreign Secretary, and his Spanish counterpart Sr. Marcelino Oreja will be in Paris to-morrow for talks on Gibraltar. Sir Joshua Hassan, the Chief Minister of Gibraltar, and Mr. Maurice Xiberras the leader of the Opposition, will also take part in the talks among the British delegation.

They met Dr. Owen last week for a preparatory session. This is the second time that Gibraltar leaders will be present at Anglo-Spanish talks over the Rock's future.

French arms agreement with Arabs

BY ROBERT MAUTHNER PARIS, March 14.

FRANCE TO-DAY signed a military co-operation and arms production agreement with the four-nation Arab Industries Organisation (AIO), a consortium grouping Egypt, Saudi Arabia, the United Arab Emirates and Qatar.

The agreement, described by French officials as providing "the framework" for future co-operation between France and the AIO, was broadly similar to the one concluded by Britain with the same organisation last December. It was signed on behalf of the AIO by General Abdel Gani Gamassi, the Egyptian Deputy Premier and Defence Minister who, earlier to-day, had talks with President Giscard d'Estaing.

To-day's agreement did not include any specific arms contracts, which are still under negotiation. But General Gamassi and his delegation are due to have more talks to-morrow with leading French arms manufacturers, including the Dassault-Breguet company, makers of the Mirage, the Thomson-CSF electronics group, the Matra Missile Company and Aerospatiale, which produces military helicopters.

France, which has already sold a substantial number of Mirage warplanes, helicopters and missiles to Egypt, is competing with Britain for the sale of a trainer-ground attack aircraft to the AIO. It is not yet clear whether the British Hawk or the Franco-German Alpha Jet, built by Dassault-Breguet in co-operation with West Germany's Dornier, will win this particular battle.

What is virtually certain, however, is that Thomson-CSF and Matra will be among the main contractors for the manufacture of missiles and electronic equipment at the planned armaments plants due to be built near the Saudi Arabian port of Jeddah.

Our Foreign Staff writes: The Saudi arms industry complex is to be centred on a new city designed for a population of 100,000 to be constructed near the Al Kharj oasis south-east of Riyadh at a final cost estimated at $10bn.

Manufacture of both air-to-air and possibly also surface-to-surface missiles, together with associated radar and electronics, is planned at the complex which has the code name Assad ("Lion" in Arabic), according to reliable reports. As the biggest shareholder in the AIO—formerly known as the Arab Military Industries Organisation—Saudi Arabia wants part of its capacity based in the Kingdom itself.

If all goes according to schedule, it will be the first plant specialising in the production of tactical missiles in the Middle East outside Israel. Under the aegis of the AIO, Egypt is apparently to concentrate on the assembly of military aircraft, helicopters and vehicles.

Edward Durrell Stone Associates of New York have been commissioned to produce a master plan for the Al Kharj city covering housing, civic amenities and a transport system. The firm of architects has, however, denied all knowledge of what the purpose of the industrial complex will be.

Pollsters puzzled over election blunders

BY DAVID WHITE PARIS, March 14.

"THE FRENCH changed their minds." This was the limp response of the director of one of the handful of organisations which over the last few months have bombarded France with opinion polls. On Sunday the polls, which were banned for the last week before the first round parliamentary election, were proved wrong.

As commentators throughout the French Press and television have remarked, the pollsters are the only group which lost on Sunday.

With remarkable consistency, poll samples had come up with a 5 to 6 per cent. majority for the combined parties of the Left, a good way ahead of the governing alliance of Centrists and Gaullists. In fact, even counting the extreme Left-wing parties which had stayed outside the Socialist-Communist-Radical "Common Programme," the Left failed to reach the 50 per cent. mark.

This is not the first time that pollsters have been wrong. Harry Truman gave the lie to the Gallup polls by reaching the White House in 1948, and the Conservatives took over 9 per cent. more than expected in the 1970 general election in the U.K. But France still has every reason to ask itself what happened.

All the polls came close to the target on how many would vote for the Communists, the Gaullists and, with a slight under-estimation, the Centrists. Where they all went adrift was in the Socialist vote, expected to be the only one to exceed a quarter of the total.

In none of the major polls conducted since the beginning of the year have the Socialists scored less than 26 per cent., or, where the combined chances of Socialists and Radicals were considered, less than 27 or 28 per cent.

On Sunday the Socialists finished with 22.5 per cent. and the Socialists-Radical group with 24.6. M. Francois Mitterrand, the Socialist leader, although given a hefty 4 per cent. increase on the party's previous voting score, was left musing over what had happened to the predicted 4 or 5 extra percentage points.

The puzzle is greater since the last soundings of public opinion, not published because of the Government's pre-election ban, appear to have shown an even larger swing to the Socialists. At one point, according to one report, the Socialists and Radicals were given over 30 per cent., leaving the Left ten points clear after the first round.

The director of the polling organisation IFOP, which in February gave the Socialists 28 per cent., blamed the Government for banning the publication of polls and leaving the public in the dark.

The poll organisation Sofres, which had its surveys published in Le Figaro during the campaign, said that the change was "probably . . . a consequence of the last-minute intervention of the President of the Republic," referring to M. Valery Giscard d'Estaing's appeal to the French people's "good sense" on Saturday evening.

The Centrist parties, which rally to the President's own banner certainly did rather better than forecast. But so did the extreme Left, which won 3.3 per cent. after being given 2 per cent. in most of the polls, while the Ecologist movement fell short of the expected 3 or 4 per cent.

The upshot of the ballot has raised serious questions, not only about the validity of polls, made with limited samples of voters, but also about their influence. If it had not been for the polls, would the Socialists, and—for that matter the Gaullists—have campaigned differently, and possibly performed differently?

Switzerland may have negative inflation

By John Wicks ZURICH, March 14.

SWITZERLAND may be heading for negative inflation. The wholesale price index just published for February shows a fall of 2.8 per cent. from the figure 12 months earlier, the eighth consecutive such fall since last August. The cost-of-living index for last month was 1.1 per cent. up over February, 1977.

An economic study prepared by Credit Suisse also states that the recent further appreciation of the Swiss franc exchange rate, together with rent cuts brought about by the decline in mortgage rates, could lead to a "real fall" in the country's cost of living.

The study points out that consumer prices rose only 0.1 per cent. last month, after remaining unaltered at the December level in January. It expects them to decline this spring in the wake of the falling wholesale prices.

This is seen as possibly leading to a decline in the cost-of-living index on an annual basis in one of the coming months—something which has not been recorded in Switzerland for over a generation.

For 1978 as a whole, observers are starting to reckon with overall inflation of less than 1 per cent.,

While the Swiss authorities are traditionally very keen to kep inflation down to an absolute minimum, Credit Suisse points out that negative inflation could have the effect of encouraging the flow of funds into Switzerland again and thus "complicating the currency situation further."

Local polls test soon for new Italian Government

BY DOMINICK J. COYLE ROME, March 14.

ITALY'S NEW minority Christian Democrat (DC) Government will face an important test of public opinion in local elections which have been set for May 14.

A confidence vote this weekend for Sig. Andreotti's fourth administration is assured in Parliament, since a key element in the political formula which allowed the Government to be formed is for the Communist Party (PCI) to enter the so-called Parliamentary majority.

Hence, the Andreotti Administration is expected in the confidence motion, to enjoy the largest parliamentary majority of any post-war Government. A similar endorsement in the Senate is likely before Easter.

What the electorate thinks of the new political formula, and, in particular, the degree of rank-and-file support for the PCI, should be shown on May 14 when more than 4m. voters, or roughly one in eight of the national electorate are scheduled to vote in elections for almost 850 local councils.

These elections, which are widely representative in both geographical and party political terms, will be an important barometer of how DC and PCI supporters view the controversial decision of the party leaderships in agreeing on this latest national governing formula. The present indications are that traditional supporters of the two main parties are far from happy with the compromise: Christian Democrats seeing it as an unwelcome advance for the Communists, and PCI backers believing that their party leaders have finally lost their revolutionary spirit, and for no quantifiable political gains.

The local elections were to have been held towards the end of last year, but the main parties managed to negotiate a compromise favouring postponement, since no one party wanted to disturb the delicate dialogue which was then in progress on the formation of a new central government.

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EUROPEAN NEWS

Aegean relations relaxed after Montreux summit

BY DAVID TONGE

THE MOOD after the Greek-Turkish summit has been so relaxed that it is difficult to remember how hard it had been for the two countries' Prime Ministers to meet. But even though that first step has been taken, those to follow may prove less easy.

What Mr. Bulent Ecevit, the Turkish Prime Minister, calls the "psychological problems" have been largely overcome. He and his Greek counterpart, Mr. Constantine Karamanlis, have established a good personal relationship, which is the more important given the welter of mutual incomprehension which divides Athens from Ankara. Reflecting this, since the Montreux summit, the Press in Athens at least has put less emphasis than before on scepticism towards Mr. Ecevit's motives.

Mr. Karamanlis still faces problems at home, with opposition leaders questioning whether he might be preparing "a new Zurich," a reference to the treaty on Cyprus signed by Mr. Karamanlis which was considered by his opponents as an abandonment of national interests. But he has attracted Turkish praise for being prepared to take personal risks in order to fight for causes he believes just.

With both leaders stressing how they explained their concerns to each other, the general expectation is that they will be more cautious about moves the other might consider "provocative." The Greek's particular fear was that the Turks might have sought to resume exploration for oil in the disputed areas of the Aegean. But now they believe that the "spirit of Montreux" is likely to be as important in defusing tensions between the two countries as was the Berne agreement of November, 1976.

The two countries have conflicting interests, in that Greece stands to gain from a maintenance of the status quo in the Aegean while Turkey is favoured by the present division of Cyprus. However, even if both tend to judge the way their opponents approach the one problem in order to assess its sincerity in the other, the tendency is for them to separate the problems.

The next concrete step is to be a meeting of high-level delegations in two to three weeks, according to Mr. Ecevit. This is likely to concentrate on various disagreements centred upon the Aegean. Both sides consider this the major issue of the moment.

Mr. Bulent Ecevit

Mr. Ecevit says he raised at the summit his worries about Greece's fortification of its islands. Also at issue is how the two countries should divide the continental shelf with its possible oil and the airspace. Turkey argues that if Greece were to extend its territorial waters from six to 12 miles, this would effectively cut off Turkey from access to the Aegean and would thus be considered an act of war.

The two sides have long been locked in clearly defined positions and what remains to be seen is whether the Turks might be prepared to consider the idea of going to general arbitration—the procedure favoured by Mr. Karamanlis and used by Britain and France to resolve their dispute in the Channel.

The first test of the summit was to have been the proposals on Cyprus which the Turkish Cypriots virtually have ready for submission to Dr. Kurt Waldheim, the United Nations Secretary General. General Semih Sancar, the outgoing Turkish chief of staff, has just indicated that the Turkish side may be prepared to relinquish more territory than was generally believed following the sudden flare-up in Turkish-U.S. relations during the Montreaux meeting. Mr. Ecevit has said they must decide whether they should delay their proposals, since the Greek Cypriots might be tempted to reject any suggestions merely to ensure the continuation of the U.S. arms embargo on Turkey.

The U.S. Administration has since sought to allay Turkish fears that it was linking lifting of the arms embargo to progress on Cyprus, but Mr. Ecevit's attitude remains close to that which he expressed in Montreaux. Asked what the U.S. could do, he replied, quoting Diogenes: "Stand a little less between me and the sun."

Long discreetly supported by the U.S., Mr. Ecevit thus now finds himself articulating the deep-seated resentment in Turkey at recent Washington policy towards an ally. In January, Mr. Cyrus Vance, the U.S. Secretary of State, visited Turkey, and last month a senior States Department delegation was in Ankara trying to ease the way towards a reopening of the important U.S. communications stations closed since 1975. The Turks have made it clear that there can be no progress in this until the U.S. Congress passes the four-year defence co-operation agreement signed in March 1976.

The Administration's hesitation over presenting this comes in part from a desire not to open one more potential battle with Congress. But in the present mood of Turkey, lack of progress over this issue could freeze the whole process of settling the troubles on NATO's south eastern flank.

Madrid metalworkers strike

BY ROBERT GRAHAM

MADRID, March 14.

METALWORKERS IN the Madrid region went on strike to-day for the third time since the beginning of January in protest over the failure of negotiations for a collective pay agreement.

The strike committee claimed that a high percentage of the 70,000 workers in the sector had observed the strike.

The action by the metalworkers is of particular significance since they are considered to be the vanguard of Spain's trades union movement. This is the sector that enjoys the highest degree of unionisation and is the most experienced in industrial action.

The metalworkers organised the largest number of illegal strikes under General Franco and its members suffered the highest number of sackings for illegal union activity.

While other sectors and individual companies have reached pay agreements for 1978 along Government guidelines and with only limited industrial action, the metalworkers have adopted a tough stance. They have also displayed a degree of unity among the various unions which has so far been absent from other sectors in the 11 months of legalised union activity in Spain. The two most prominent unions are the Communist-controlled Confederation of Workers and the Socialist-oriented UGT.

The metal workers, who effectively cover the engineering sector, are demanding a minimum monthly wage of Ptas.27,000 plus a Ptas.8,700 across-the-board increase.

The sticking point has been not so much this wage demand but the more general platform which the metalworkers are seeking for the new agreement. They are asking for a maximum of 1,954 hours' work a year and, more importantly, freedom of union action within the factories, complete labour amnesty, and the right to greater control over the running of the plants.

This is the broadest platform of demands for any new pay agreement in Spain. The metalworkers have copied their compatriot union in Italy in insisting that, at a time of economic crisis, wage demands should not be the sole area of a new pay agreement.

Indeed, the 22 per cent. Government wage ceiling for 1978 has been accepted as an overall guideline. The strike committee insists that it is important to test the will of Government and management to accord full trade unions rights.

So far, the latter have appeared reluctant to implement the spirit of the Moncloa pacts—agreed last October between the Government and the major opposition parties—regarding the introduction of democracy to management and labour relations. The Government has permitted the holding of union elections for works councils but has spread out these elections to avoid the impact of them being held close together so giving the impression of increased union power.

THE MIDDLE EAST

Help for N.Yemen budget

JEDDAH, March 14.

SAUDI ARABIA is to contribute $70.5m. to the North Yemeni budget this financial year, according to a joint statement issued in Riyadh yesterday at the close of the two-day session of the Saudi-Yemeni Joint Commission.

Saudi Arabia will also provide Sanaa with 50,000 tons of oil and the Saudi Development Fund will commit more than $80m. for various water, sewage and power projects in Sanaa and Taiz.

Reviewing progress on Yemeni development projects, wholly or partly Saudi-financed, the statement noted that 39 out of 64 educational schemes had been completed. These included the building of schools, teacher training colleges and an orphanage in Sanaa. Fifteen more schools were approved by the Joint Commission.

● The Saudi Defence Minister, Prince Sultan, said yesterday that Saudi Arabia rejected any unilateral compromise in the pricing of oil and stressed his government's adherence to OPEC resolutions.

Sultan was quoted in Al-Jazira newspaper, in reply to a question over reported claims by U.S. Congress sources that Saudi Arabia would be less co-operative if Congress blocked the sale of 60 F15 fighter-bombers to the kingdom.

● The Kuwaiti Finance Minister, Sheikh Abdul Rahman Al Atiqi, disassociated the Gulf countries from a recent statement by the OPEC secretary, General Ali Jaidah, which suggested that the 13 members of the organisation were running up losses equivalent to $14bn. a year because of the dollar's shrinking purchasing power.

Speaking to the newspaper Al Riyadh, Atiqi said that for Gulf countries losses in oil revenue were far less and were only felt when dollar revenues were converted into another currency.

ISRAEL'S CABINET RIFTS

Mr. Begin plans to restore order

BY DAVID LENNON IN TEL AVIV

THE BLOODY Palestinian raid on Saturday postponed the visit to Washington of Mr. Menahem Begin, the Prime Minister, for a week. But it has not altered the crucial nature of the visit, or the need to restore unity to the Israeli Cabinet once he returns home.

The Cabinet is united in its revulsion and anger over the terrorist attack, but such events are not new and in a way are accepted as part of the price the people have to pay for statehood. All ministers agree that Israel will have to respond, in a manner and at a time and a place of Israel's choosing. This too has become part of the pattern of violence in the region.

The Prime Minister will use the raid to reinforce his argument against the creation of a Palestinian state on the West Bank and Gaza Strip. But otherwise the events will not change the basic issue of how to react and survive. President Sadat's dramatic peace initiative without doing irreparable damage to either Israel's security or its reputation abroad.

The elation engendered by the visit of President Sadat to Jerusalem has been dissipated by ill-directed settlement activity and a welter of petty legalistic arguments. The Egyptian leader's effort forced Israel to look hard and long at what Abba Eban described as the essential debate of Zionism and Israeli diplomacy over the past four decades: the choice between striving to control all of the biblical land of Israel, or accepting partition of the land as the price for modern statehood and peace.

As the leader and conscience of those who believe in the greater land of Israel, Mr. Begin has been wrestling with this problem since the moment President Sadat made his gesture. At first Mr. Begin appeared willing to compromise. His offer to return all of Sinai to Egypt and to institute self-rule for the Arab residents of the West Bank and the Gaza Strip gave the impression of flexibility.

As the months slipped by, however, it became clear that he had no intention of relinquishing an inch of the West Bank to foreign sovereigty or dismantling any settlement built on Arab land.

The territorial maximalists have always been a minority among the Israelis. That is one of the main reasons why Mr. Begin lost eight elections in a row before his surprise victory at the polls last year when Likud capitalised on the disintegration of the Labour party and at the same time focussed almost exclusively on domestic problems.

The country was initially delighted with Mr. Begin's apparently firm leadership and seeming ability to charm foreign leaders. Now the Cabinet is split, with Ministers contradicting each other and sometimes even themselves. Western leaders, especially President Carter, are disenchanted with Mr. Begin, and growing numbers of Israelis are perplexed by their Government's performance on both domestic and foreign fronts and are apprehensive about the future.

The collapse of President Sadat's initiative is the greatest cause of unease. The fact that an American diplomat has to shuttle back and forth between Israel and Arab capitals is the clearest indication that something has gone very wrong. The erosion of American support for Israel serves to reinforce the feeling that the Government has mishandled the negotiations.

On the issue of Jewish settlements, Mr. Begin and most if not all members of his cabinet favour their establishment. So do most of the opposition parties, and the majority of the Jewish population. But there is a growing feeling in all these sectors that it would be wiser to restrain such activity while genuine peace negotiations are in progress.

It is this that led to the rift within the Cabinet and the threat to resign of Mr. Ezer Weizman, the Defence Minister. It also aroused the Labour party leaders from their post-defeat depression to launch a series of sharp attacks on the government's policy.

The economy is also a source of unease. The Likud came to power with promises to reduce inflation and deficit financing. A 40 per cent. plus devaluation and a cut in subsidies on basic commodities gave inflation a massive boot. This in turn led to a massive wage demand and a rash of strikes in the public sector.

Deficit financing, instead of being curbed, is running at a higher level than ever. Over £I1bn. is being pumped into the economy each month, adding to inflation. Promises to sell off government companies have produced no concrete proposals, and thus no sales.

When the Prime Minister admitted recently that his government was "in a mess," he was acknowledging the disarray within his Cabinet. The Likud Government won respect in its first months in office for its clear unity under firm leadership—it was a relief for a public sick and tired of squabbling ministers and weak and dreary leadership under the previous Rabin Government.

The explosion into the open of the Likud Government's internal fight about settlement policy thus came as a shock. It was the deceptive unity of the Government and the prominence of the man involved which gave Mr. Weizman's threat to resign such impact. He had entered government with a reputation as a gregarious and flamboyant political lightweight.

By carefully keeping out of the public eye and refraining from public statements, Mr. Weizman began to build up a new image as a serious and hard working minister. When President Sadat singled him out for special attention, this thrust him back into the public eye, as one of the most serious members of the Cabinet.

This had also created a unique situation in Israeli politics. Traditionally when people complained about the various Prime Ministers, the standard response was: "Yes, but who else is there?" With Mr. Weizman's rise to political prominence, the possibility arose that if and when Mr. Begin's health or diplomatic difficulties forced him to step aside, a younger successor might be available.

Mr. Menahem Begin

Regardless of the public words which will be spoken after the meetings next week between the Americans and Israeli leaders in Washington, Israel will come under increasing pressure to adopt a more flexible stance in the peace negotiations. But there is a serious doubt that the Likud Government, as currently led and constituted, can adjust to the realities of the new situation.

Mr. Begin has promised to restore order to his Cabinet when he returns from Washington—meaning he will have finally to make a long-postponed decision. If his belief prevails that Jews must control all land between the Jordan river and sea, it will be a victory for the Cabinet members who believe in expansion at any price. And a triumph for the Minister of Agriculture, Mr. Ariel Sharon. It will also mean the restoration of his undisputed Cabinet leadership, provided he can carry it out without numerous resignations.

Mr. Begin will, on the other hand, be aware that if he does adopt such a policy, he will be forfeiting the lingering vestiges of Western and especially American support for Israel's foreign policy.

India's new growth plan faces farmers' criticism

BY K. K. SHARMA

NEW DELHI, March 14.

THE "ROLLING plan" for India's economic development in the next five years involves an investment of rupees 1,163bn. (about £72bn.) in a bid to achieve a 4.7 per cent. annual growth rate of the economy.

The plan which will be presented to the National Development Council over the weekend, hopes to lay the basis for a 5.5 per cent. annual growth rate in the next five years.

The growth rate hoped for is higher than the average of 3.5 per cent. achieved since India took to planned development more than 25 years ago, but it is much lower than the 7 per cent. stipulated by the Janata Party in its economic policy document adopted about six months ago. The plan thus faces trouble within the party.

The main point expected to be attacked is the relatively low priority given to rural and agricultural development, as conceived by the farmers' lobby in the party. This unofficial group is led by such key men as Mr. Charan Singh, the Home Minister, who has already severely criticised the recent budget and the annual plan for 1978-79 for much the same reason.

However, the planning commission, which expects to publish the "rolling plan" document after the meeting of the National Development Council, feels that it has finalised a realistic development strategy that aims at giving effect to the Janata Party's policies. For example, the outlay on agriculture in the "rolling plan" will be 43 per cent. as compared to 37 per cent. in the fifth plan which will be terminated a year ahead of schedule on March 31.

Food production is expected to increase from 121m. tonnes in 1977-78 to 141m. tonnes after five years while oilseeds output is to increase from 9.2m. to 11.2m. and on cotton from 6.43m. bales to 8.15m. bales.

The annual growth rate for agriculture is estimated at just under 4 per cent. while for industry and minerals it is placed at 7 per cent.

The plan envisages that consumption levels will rise at the rate of 2.2 per cent. annually in the next five years and 3.2 per cent. in the subsequent five-year period.

● Mr. Biju Patnaik, India's Minister of Steel, to-day sought coking coal supplies from Britain, broadening the bilateral steel and mining links. The proposal was made to Mr. Edmund Dell, Secretary of State for Trade, who is said to have responded favourably to the proposal.

Pakistan debts agreement

BY OUR OWN CORRESPONDENT

KARACHI, March 14.

DONOR nations of the World Bank aid to Pakistan consortium are understood to have agreed to reschedule Pakistan's debts to ease its repayments burden from the next fiscal year which starts on July 1. A formal announcement is expected soon.

It became necessary for Pakistan to negotiate repayments due to consortium members because the country's debt liability next year could otherwise jump substantially. This year, Pakistan owes $500m. in principal and interest. In the next financial year, this could easily rise to $600m., which is equivalent to nearly half of the country's current export level.

Interest payments alone could account for $300m.

In assessing the balance of payments position, of some cheer to the Government are the encouraging wheat and cotton crops this year and a considerable increase in the rice crop.

Nevertheless, Pakistan's heavy debt servicing commitment and its still deteriorating balance of payments puts it in the category of the "most seriously affected" nations.

Gang of Four victims cleared

PEKING, March 14.

MORE THAN 10,000 Shanghai people who fell victim to the extremist Gang of Four have been rehabilitated.

The official New China news agency said they had been rehabilitated by the Shanghai municipal committee of the Communist Party as part of the policy "to expose and criticise the Gang's wrong doings."

Some of those rehabilitated were among deputies to the recent meeting of the country's Parliament.

Reuter

S. Africa job barrier attacked

BY QUENTIN PEEL

JOHANNESBURG, March 14.

ENGINEERING INDUSTRY employers in South Africa have presented an ultimatum to trade union leaders representing some 100,000 white coloured and Asian workers, to abandon racial job reservation in the industry.

The issue of job reservation, which is written into the industry's annual wages agreement, and prevents black workers from doing skilled artisan jobs, as well as restricting their access to semi-skilled jobs, is expected to be the key bargaining point in the wage negotiations which began to-day.

But in return for any relaxation, the unions are demanding big increases in minimum pay rates, to protect their members, the union leaders say, from being undercut by cheap black labour.

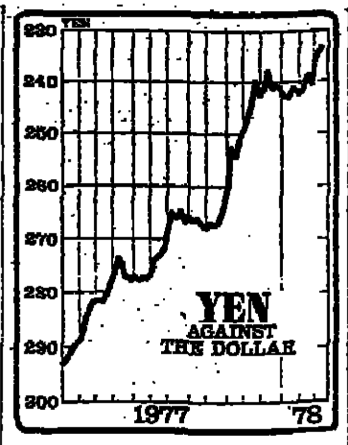
The call to scrap job reservation has come from the Steel and Engineering Industries Federation (SEIFSA), one of the South African organisations which pledged themselves to seek an end to racial discrimination at work in a South African code of employment practice drawn up last December.

SEIFSA is calling for full access for black labour in all employment categories, in an industry which employs some 400,000 blacks in unskilled and semi-skilled jobs.

The union leaders fear, however, that scrapping job protection for the minority groups may simply be used by employers to hire cheap labour. Their wage claim would therefore substantially increase minimum wages, by between 15 and 46 per cent., although the across-the board increase would be more like 8 to 13 per cent.

They argue minimum wages must be increased to the actual level of earnings of the lowest paid, which is considerably more, to prevent the use of cheap labour.

Negotiations are expected to last for several months, with the new wage deal due to begin on July 1.



Yen rises despite dollar support

By Charles Smith

TOKYO, March 14.

SCEPTICISM ABOUT the effectiveness of the new dollar support system announced on Monday by the U.S. and West Germany produced another run on the dollar on the Tokyo foreign exchange market to-day. The yen as a result was pushed up to yet another peak, of $1=Y233.0.

It reached this level despite continued active intervention by the Bank of Japan (believed to have bought $100m. out of the $481m. which changed hands during the day). Foreign exchange traders appeared certain that the rate would continue to climb perhaps reaching the level of Y230 to the dollar around the middle of next week.

If the Y230 rate is reached in the near future, the Bank of Japan appears likely to intervene on a more massive scale than it is doing at present perhaps attempting to repeat the temporary holding operation performed when the yen reached the 240 level some weeks ago.

Such intervention might conceivably involve the acquisition by the Bank of up to $1bn. on a single day's trading although it is obviously unlikely that this could be maintained for any length of time.

A rise towards the 230 level will also hasten the bank rate cut which is now regarded as inevitable (despite routine statements by the Bank of Japan that it is not being considered "for the time being").

A further possibility, but a much less strong one, is that controls might be tightened again on short-term money movements. The Bank of Japan is known to be anxious to introduce such controls but the Ministry of Finance, which is committed to long-term exchange control liberalisation, remains firmly opposed.

THE IRANIAN ECONOMY

A rising tide of problems

BY ANDREW WHITLEY IN TEHRAN

THE PUBLICATION of the Shah's third book "Towards the Great Civilisation" in January was more than just a pep talk for Iran's 35m. people. It was a reaffirmation of faith from the top that the country is still on course towards that visionary goal despite a rising tide of economic and social problems.

This week sees the end of the fifth Five-Year Development Plan with many of the hopes raised by the quadrupling of oil prices in 1973-74 having been disappointed. For his part, the Shah appreciates the importance of the political and human factor if Iran is to achieve its objective of being a leading industrial country by the end of the century, when oil production will be in rapid decline. It was the reason for the new policy of liberalisation. Yet he is still searching for a way to achieve the necessary dialogue between the Government and the nation.

Notwithstanding the recent bloody riots at Qom and Tabriz which, according to reliable estimates by witnesses, left over 170 dead, the Shah has said that the policy of liberalisation will continue. It was his first explicit confirmation that such a programme exists although officials have been telling diplomats and foreign journalists for some time that there was a deliberate strategy in that direction. It has generally—and probably correctly—been assumed that the policy is related to U.S. relations, particularly the supply of weapons, and U.S. President Jimmy Carter's concern about human rights. But equally vital is the need for a revitalised society if development is to be more dynamic.

At the age of 57, and after 37 years on the throne, the Shah is at the height of his powers. But the sense of time slipping away—to arrange a smooth succession for his son and to get the economy on to a secure non-oil footing—is becoming ever more acute.

In the time available a new moderate political centre which sees its participation in the state as coming from something more than self-interested materialism must be created. Most of the elements for such a force to come into being are there now. They are fragmented, but perhaps only temporarily, disturbed and confused. Contrary winds—from economic interest, from Islam, from Western liberalism, from patriotism—are blowing in different directions. Considering the shining hopes of three and four years ago, the future looks more uncertain than it has for a long time.

Internationally, Iran, at first sight, seems to have grown in confidence and stature with each month: asserting its weight, albeit tentatively so far, in the Arab-Israeli imbroglio, flexing its muscles over the Horn of Africa, and reviving dormant plans for an Asian Common Market.

But the other side of the coin has been an excessive touchiness. It was reflected in the abrupt breaking of relations with Kenya over a petty quarrel, withdrawing ambassadors and launching trade boycotts at the drop of a hat against those countries which did not punish severely enough Iranians who had occupied their country's embassies abroad in protest against the regime. It was also reflected in a threat to ruin the carefully constructed edifice of friendship in the Gulf over its neighbours' proposals to set up "Arabian Gulf" News Agency.

Meanwhile, the economy demonstrates a serious lack of confidence. Although no figures are available, the consensus among businessmen is that new investment is at a low ebb. Labour problems certainly remain acute, and tight credit controls are likely to remain for the foreseeable future as part of the fight against inflation.

Economists estimate that some $U.S.3bn. a year is leaving the country, as part of a personal exodus that is reaching worrying proportions. The authorities' response has been to remain calm: on the grounds that such phenomena are the price of a free society, though the underlying reason must be that the threat of renewed controls would exacerbate existing uncertainties and increase the "pressure-cooker" volatility of internal events.

The Shah has moved astutely in recent months to defuse tensions and break up potential bandwagons of protest or dissent. While overt opposition in the streets and university campuses has been firmly crushed, intellectual dissidents and old-time opposition politicians have been left at liberty.

The greatest threat to the regime has always come from the Right, but in recent years that threat had seemed to be easily contained. The Left these days is both intellectually and politically ineffectual.

The Pan-Islamic wave sweeping throughout the Muslim world has not left Iran alone (the possibility of contagion from Pakistan was a prime reason for the Shah's support for former Premier Bhutto). In Iran, the ascendant theme was, until very recently, a purist one, radical and reforming in character. But the deep waters of conservative feeling have been stirred once again by the re-entry of the country's religious leadership into the front of opposition.

For the new urban dweller, especially the industrial worker whose memories of tranquil, slow-moving village life are still fresh, the pace of change has been upsetting and alarming. Thus the anti-Shah rampage in Tabriz a few weeks ago rapidly took on an anti-secular character. Eye-witnesses spoke of villagers pouring into town with their "martyrs' shirts" on ready to die, furious at examples of Western permissiveness.

A major handicap for the Shah and the political establishment in meeting this challenge is that Rastakhiz — the three-year-old mass party to which some 6m. Iranians nominally belong — has become an albatross.

Intended as a vehicle for popular participation and identity, as well as a machine to outlive the monarch, Rastakhiz has become a tiresome joke for most Iranians. Every convulsive outburst of frenetic activity by the Party seems to confirm its demise still further. But the Shah has said there is no going back.

Politically, the six-month-old administration of Dr. Jamshid Amouzegar, the Iranian Prime Minister, has been so low-key that it is almost invisible, and the ordinary man could be forgiven for thinking that the ebullient, charismatic former Prime Minister Mr. Amir Abass Hoveyda was still in charge. In part, this has been a deliberate change of style to a no-nonsense, no-loud-promises, but-get-things-done image. In part it reflects the Prime Minister's own personality.

The trouble is that, with the possible exception of greater efficiency and co-ordination of development, little seems to have been done. Until last month's budget, the economy was drifting rudderless while the captains argued over which direction the ship should take.

Economically conservative, the budget was notable for the huge extent to which it apparently relies on deficit financing. It also took a few small steps away from the continued unhealthy reliance on oil revenues (40 per cent. of GNP last year) and towards a modern taxation base.

Expenditure is planned to rise by 17 per cent. overall, but this will only match the likely inflation rate. Within the cake, the emphasis has been shifted firmly towards strengthening the basic infrastructure of the country—especially roads, railways and electricity generation.

On the revenue side, the Government projections looked more than a little hopeful. Oil liftings remain the critical variable, giving added importance to the current talks in Tehran between

The Shah of Iran

the National Iranian Oil Company (NIOC) and the 14-member Western consortium, out of whom the Iranians want concrete annual commitments on crude purchases. On present indications an amicable settlement is likely.

As a result of lower imports and external borrowings, Iran can continue to show a healthy current account balance sheet. Other indicators such as the level of foreign exchange and gold holdings, the debt ratio and creditworthiness also look good.

But these factors have tended to mask the underlying weakness in the domestic economy. Despite a barely checked domestic demand, local industrial output is, on the whole, well below capacity, opening the way for more consumer goods imports. At the same time, the value of Iran's non-oil exports has fallen steadily for the past three years at constant prices. The growth in GNP last year was only 3.2 per cent. down from 4.8 per cent. four years ago.

There has been a decline in the export of traditional goods such as hand-made carpets and the new manufactured goods. Official optimism is often based on the country's other rich mineral and fuel resources. But current world prices for copper and natural gas—the main alternative exports—are much too low. The fast-expanding vehicle, steel and petrochemicals industries remain unknown quantities in export terms.

Private estimates of the fifth Five Year plan suggest that physical, manpower and organisational bottlenecks meant that disbursements were a third below the projections, while completions are said to range from 25 per cent. to 75 per cent.

Chastened by the experience, the macro-planning process has been downgraded and even the outlines of the sixth plan have not appeared yet. When it does, it is likely to be only a broad framework, with individual sectors ranging over a ten or even 20 year period.

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Expansion in S. Africa plans denied by Ford

BY JOHN WYLES

NEW YORK, March 14.

MR. HENRY FORD II has categorically denied that the Ford Motor Company plans to expand its operations in South Africa. A statement from him lists numerous steps taken since 1968 in support of the company's equal rights objectives and offers a firm commitment to improve the conditions of its black and coloured employees.

The statement, which follows the Ford chairman's first visit to South Africa in ten years, comes at a time when U.S. corporations are under steadily increasing pressure to challenge the apartheid system. Last weekend, Citicorp, the nation's second largest bank, announced that it would make no further loans to the South African Government.

Asserting that he went to South Africa in January "to get a first hand impression of how things were going," Mr. Ford reiterated that the plant there is operating at only 60 per cent. of capacity and that the company's only major scheduled expenditure is for the lease of a new central office building because the present headquarters have been found to be a fire hazard.

Denying the claim that the company was staying in South Africa because it was making huge profits, Mr. Ford claimed that the South African subsidiary lost money in 1977 while the year before the "profits were only marginal."

"Our continuing presence in South Africa should in no way be interpreted as an endorsement of all the policies of the South African Government, nor does it mean we are equivocal in our commitment to equal employment practices, whether in South Africa or elsewhere in the world," said Mr. Ford. He added that he did not agree with the policy of apartheid and believed that men and women should be treated on their merits "not on the basis of such things as colour, or religion or ideology."

But the Ford chairman did not agree with church groups and others who favoured the withdrawal of American business from South Africa. The approach embodied in the statement of principles which has now been subscribed to by at least 60 U.S. companies is a "better idea," said Mr. Ford.

It was not true, as the Senate sub-committee on African affairs, had reported, that Ford ranks among the firms paying the lowest wages in South Africa. Equal pay for equal work was given regardless of race and the company's rates were fully competitive with those paid in the Port Elizabeth area and the South African automobile industry.

Detailing steps taken in support of the statement of principles Mr. Ford said the company had:

- Removed all racially restrictive signs from eating and rest facilities;
- Set the end of 1980 as the target date for ending segregated eating facilities;
- Obtained approval to increase the numbers of black employees from 165 in 1968 to 1,863 to-day, so that blacks, coloureds and Asians totalled 75 per cent. of the workforce with 32 per cent. occupying supervisory and control jobs;
- Started a check-off system for the members of a black trade union;
- Asked the Government commission of inquiry into labour legislation to remove all forms of racial discrimination from labour laws;
- Started training programmes to increase the numbers of black and coloured workers in supervisory, administrative, clerical and technical jobs (since 1974 the number of non-white supervisors had been increased from 11 to 30).

In Connecticut, meanwhile, a federal grand jury has indicted Olin Corporation—through its Winchester international division—on charges of falsifying records in connection with the shipment of rifles and ammunition to South Africa.

Reuter reports from Chicago: The First Chicago Corporation, owner of the First National Bank of Chicago, revealed to-day it made no new loans to the South African Government in 1977 because of that country's racial policies.

Double tax vote put off in Senate

By Jurek Martin

WASHINGTON, March 14.

THE SENATE Foreign Relations Committee once again postponed a vote on the Anglo-American Double Taxation Agreement this morning.

Committee action on the issue has been held up now for well over six months. The problem to-day was that it was impossible to raise a quorum of committee members for a vote. Once several other items of routine business had been taken care of, the Panama Canal debate in the full Senate proved a potent counter-attraction.

The committee is going to try again to-morrow, but it is entirely possible that a decision will be delayed again as the Panama Canal debate heads for its first climax on Thursday.

Both British and committee sources fell that the treaty will pass its first hurdle, though possibly with some riders attached, if not in committee then on the floor. The principal sticking point remains Article 9(4), covering the tax powers of the individual states, tax deductions that may be taken by entertainers, and what is seen here as over-generous measures to help U.S. oil companies with British operations.

U.S. COMPANY NEWS

Curtiss-Wright stake in Kennecott; Esmark to buy STP; Carter Hawley Hale profits ahead — Page 30

Walk-outs close Canadian iron ore plant

BY ROBERT GIBBENS

MONTREAL, March 14.

OPERATIONS OF the Iron Ore Company of Canada (IOCO) in the Quebec-Labrador Trough and at the shipping port of Sept Iles, on the St. Lawrence, 700 miles north-east of Montreal, have now been shut down after walk-outs by nearly 3,000 IOCO workers belonging to the United Steel Workers' union.

IOCO is the largest iron ore producer in Canada. The four companies in the Quebec-Labrador Trough produce three-quarters of the country's iron output. IOCO's capacity is nearly 30m. tonnes a year, in pellets, concentrates and direct shipping ore.

Total capacity of the four companies operating in the Trough is nearly 60m. tonnes and is one of the world's largest iron ore complexes. The other companies are Wabush Mines, Quebec Cartier Mining and Sidbec-Normines.

IOCO is owned by a group of U.S. steel companies. Wabush is a consortium of U.S. and Canadian steel companies. Quebec Cartier is wholly owned by the U.S. Steel Corporation, and Sidbec-Normines is controlled 41 per cent. by the Quebec Government, 41 per cent. by British Steel Corporation and 8 per cent. by U.S. Steel.

The walk-outs by the USW have closed down IOCO's Labrador city concentrators and telelyping plant, the Sept Iles teletyping plant and shipping facilities, and the Schefferville direct shipping ore operation. The railway running from the mines to Sept Iles has also shut because its workers would not cross the USW picket lines.

This means Wabush cannot use the railway either and can continue to ship only from stockpiles at Sept Iles.

The strike is over health and safety issues and sub-contracting of machine maintenance work. Some industry spokesmen believe the union may also try to shut down the other companies. The USW represents over 12,000 iron ore workers in the region. Industry sources say the issues are all negotiable but wage increases are limited by the Federal anti-inflation guidelines to 6 per cent. for this year. The miners' old contract expired on February 28.

The industry in Quebec-Labrador has been working at an average 75 per cent. of capacity in the past year. The four companies are believed to hold stockpiles of about 6m. tonnes of concentrates and 5m. tonnes of pellets, mostly at the two shipping ports Sept Iles and Port Cartier. The normal stockpile for shipping operations is 5-6m. tonnes. Bulk carriers of up to 250,000 tonnes use the ports and most of the ore goes to the U.S., Europe and Japan.

Miners remain defiant over order to return to work

BY STEWART FLEMING

NEW YORK, March 14.

STRIKING coal miners are defying the U.S. Government's moves to force them back to work by a court injunction. Yesterday only 100 of the 160,000 members of the United Mine Workers of America (UMW) union reported for work, according to the Bituminous Coal Operators' Association (BCOA), the coal companies' negotiating arm.

Major coal companies, such as Amax coal, reported that none of its miners turned up for work even though most of its operations are in Illinois and western Kentucky, areas outside the most militant districts of the Appalachia. Westmoreland Coal reported that only three of its 4,000 miners reported for duty. "They stood around for a while and then we sent them home," a company spokesman said.

The miners' impressive display of solidarity confirmed the suspicion of both the union leadership and the coal companies that, at least to begin with, the traditions of the miners' union would hold firm. Twice before members have defied presidential moves to invoke the 1947 Taft-Hartley Act which requires strikers to return to work for up to 80 days while negotiations continue.

Most observers are suggesting that the best that can be hoped for from the Taft-Hartley injunction which went into force last Thursday is that coal miners may begin to drift back to work in coming weeks in the absence of a settlement at the bargaining table.

With the strike now in its 99th day, such an agreement still seems to be the most likely development. Both union and coal company officials are suggesting that a new agreement could be near as a result of concessions which the coal operators have made. Formal talks begin again between the two sides this morning and some officials are suggesting that the negotiating teams could come to a provisional settlement in the next couple of days.

Mr. Griffin Bell, the Attorney General, has issued a strongly-worded statement ordering U.S. attornies in the coalfields "to consider arrests of any persons threatening to interfere with coal miners returning to work under the court's order." Union leaders privately are responding that the Government cannot march the miners to the pits at the point of bayonets.

The Administration's warnings, and the continuing hints that federal seizure of the mines cannot be ruled out if no agreement is reached soon, are serving to keep pressure on the two negotiating teams. Neither the union leadership nor the coal management will want to see miners arrested as these same miners will eventually have to vote again on any proposed settlement. Some must also be privately relieved that the miners are staying home as this means there is no need for illegal picketing and less danger of serious outbreaks of violence outside or inside the mines.

Stronger anti-inflation moves urged on Carter

BY OUR OWN CORRESPONDENT

WASHINGTON, March 14.

A SENIOR member of the Carter Administration has called for a more vigorous anti-inflationary programme than is currently being applied.

Specifically, Mr. Barry Bosworth, Director of the Council on Wage and Price Stability, has proposed that the President reduce the planned 6 per cent. pay increase for federal employees by 1 per cent. and give serious consideration to supporting a rollback of the next stage increase in social security taxes.

In a memorandum to the President, obtained and published by the Washington Post, Mr. Bosworth argued that, with substantial rises in the Consumer Price Index expected over the coming months, "it would be better for the President to anticipate, rather than to react to, public criticism."

There is already strong Congressional pressure to do something about the steep increase in social security taxes, passed by Congress last year, with the first stage taking effect last January. Last month, the House Ways and Means Committee came very close to recommending that the full House should debate a rollback. A number of individual Bills advocating such a cut have also been put forward.

This morning, Mr. Tip O'Neill, Speaker of the House, reflected Congressional sentiment when he disclosed that he had told Mr. Michael Blumenthal, the Treasury Secretary, that the Administration had better "come up with something" on the social security question. If the White House did not act, Mr. O'Neill said, "Congress will."

The argument is that the increased taxes are not only inflationary in their own right but constitute a major drag on the economy.

Administration officials have so far resisted any change, if for no other reason than to shift course would not encourage confidence in the predicability of economic policy making.

Moreover, it has contended that the President's $24.5bn. net tax cut proposals will at least offset the fiscal drag of the higher social security levies and the impact of inflation pushing taxpayers into higher brackets.

Nevertheless, the issue is by no means that clear cut: the difficulties that the Energy Bill has run into on Capitol Hill largely reflect the view that it is a tax increase package, which would come on top of the social security increase and thereby compound the problem. Congressmen do not like to inflict on their constituents a double tax increase in an election year, as this is.

There is also a widespread feeling that the President's latest anti-inflationary programme unveiled in January, involving a consultative process between Government, management and labour, is actually getting nowhere. Even though the miners' dispute has been a distracting factor, nothing has been heard about the plan since its inception.

The Administration remains convinced that, in 1978 at least, inflation is containable. In spite of recent wholesale price increases of double digit proportion, the projected rate for the calendar year is in the 6.5-7.0 per cent. range, rather higher than the official 6.0-6.5 per cent. estimate, but not disturbingly so.

Nevertheless Mr. Bosworth, whose Council largely lacks the power to enforce recommendations, suggested a series of measures that President Carter might entertain: these include a televised speech on inflation, determined resistance to protectionism, expanded meat imports, more timber harvesting on federal lands to curb the spiralling price of lumber, and renewed efforts to control the costs of medical care.

Unemployment in Canada reaches 1m.

The unemployment total for February in Canada officially broke through the 1m. level Statistics Canada announced yesterday, Victor Mackie reports from Ottawa. The unemployment total was 1,007,000, compared to 932,000 in February, 1977. The unemployment rates were 9.5 and 9.1 per cent. respectively.

Meanwhile, the Economic Council of Canada will monitor wage and price controls after the start of the phasing-out of wage and price controls on April 14, the Prime Minister, Mr. Pierre Trudeau, has announced.

Prisoners die in Buenos Aires jail riot

Several dozen people were killed yesterday when troops and police using tear gas stormed one of the toughest prisons in Argentina and quelled a riot, sources close to the police said, Reuter reports from Buenos Aires. The sources said that the dead included prisoners trapped in a fire started by rioters at the maximum security Villa Devoto jail in a suburb of Buenos Aires. Earlier, informed sources said at least one prison guard had died

U.S. retail sales

Retail sales in the U.S. in February rose by 0.6 per cent., after a revised 3.8 per cent. drop in January, Reuter reports from Washington.

Curaçao Depositary Receipts of ordinary shares

SANYO ELECTRIC CO., LTD.

The undersigned, acting as duly authorised Agent of Carneth Administration Company N.V., announce that at the shareholders' meeting held on the 27th February, 1978, it was decided to pay a final dividend of Yen 4 per share (Yen 3 ordinary dividend and Yen 1 jubilee dividend) for the fiscal term ending November 30th, 1977.

This dividend will be payable, less 20% Japanese tax, as from the 16th March, 1978, on the coupon No. 19 of the CDRs. Payment will be made at the undermentioned offices as follows:

$6.69 per CDR of 10 depositary shares of 50 ord. shares
$13.38 per CDR of 20 depositary shares of 50 ord. shares
$66.90 per CDR of 100 depositary shares of 50 ord. shares

Residents of countries which have concluded a tax treaty with Japan may, only afterwards, claim a 5% tax refund in Japan. The coupons No. 19 may be presented in:

London	to The Sumitomo Bank Ltd., Temple Court, 11 Queen Victoria Street, London EC4N 4TP;
Hamburg	to Bank Mees & Hope NV, Pelzerstrasse 2;
Paris	to Banque de l'Union Européenne, 4 rue Gaillon, 75 Paris 2e;
New York	to Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, N.Y. 10015;
Amsterdam	to Bank Mees & Hope NV, Herengracht 548.

BANK MEES & HOPE NV

WORLD TRADE NEWS

East Germans sign $250m. Dow chemical contract

LEIPZIG, March 14.

EAST GERMANY to-day signed its biggest industrial deal with the United States, an accord with Dow Chemicals worth $250m. over ten years for mutual delivery of basic chemicals.

Trade between the two countries, still restricted by American refusal to give East Germany most favoured nation (MFN) trading status, has previously been confined mainly to agricultural produce.

The contract was signed at the Leipzig Spring Fair by the head of the East German chemical trading organisation AHB Chemie: Gerhard Nitzsche, and the president of Dow Europe, Clyde Boyd.

It provides for East German supplies of propylene and American sales of propylene-oxide, chemicals used in plastics. Deliveries are to begin next year.

Reuter

Leslie Colitt writes: East and West German companies have announced at the fair their first so-called "third market co-operation" contract to construct and equip a factory jointly in a third country. Krupp of Essen and the East German foreign trade enterprise Unitechna have agreed to build a cotton spinning mill in Ethiopia.

It is seen as an example of East Germany's combining its considerable political influence in Ethiopia with Krupp's industrial reputation to produce a deal that would hardly have been possible a few years ago.

The project is described as a large turnkey plant worth "somewhat less than DM100m.," according to an industry source. East Germany has been seeking such a joint project with several Western companies but until now West German businesses were more interested in collaborating inside East Germany.

The West German Chamber of Industry and Commerce says the deal falls short of genuine co-operation as West German manufacturers see it and is merely a "consortium" arrangement that elapses when the project is completed. It views co-operation as resembling the long-term deals that exist with Polish, Rumanian and Hungarian companies but which East Germany has resisted, saying it does not want to become the "extended workbench" of West German industry.

Protest

Iran has cancelled its official participation at the fair, which ends next Sunday, in protest against East Germany's release of Iranian students who recently occupied the Iranian Embassy in East Berlin. Iran reportedly cancelled its purchase of nearly 1,000 railway cars worth some DM300m., for which the East Germans were to get oil. That has not been confirmed by East Germany, which wants Iran to change its mind.

The deal is very important, as East Germany gets nine-tenths of its oil from the Soviet Union (about 17m. tonnes this year) and must pay world market prices for additional imports.

East Germany is still consulting Western companies, including Citroen Renault and GKN, on constructing a new car plant at Zwickau. French sources say Citroen is interested in building a front-wheel-drive transmission plant costing an estimated DM800m. and would let the East Germans pay with a very high proportion of output from the factory.

Citroen recently concluded an agreement with Romania to produce a car there to be marketed in the West by the French company. East Germany is not thought likely to commit itself on such a costly project in the near future as investment plans for the current five-year plan, ending in 1981, have been cut to bare essentials.

This country, however, badly needs a replacement for its Wartburg and Trabant cars with their two-stroke engines and is searching for a Western company or a consortium interested in building a new car plant and willing to buy back automotive components or even entire cars to pay off the investment costs.

The East Germans recently contracted with Volkswagen to buy 10,000 Golf cars this year in return for brown coal, machinery and components.

Olympic to buy Airbus

By Our Own Correspondent

ATHENS, March 14

OLYMPIC AIRWAYS, Greece's state-owned national airline, will buy two A-300 Airbus airliners from the European Airbus manufacturing company under a letter of intent signed here over the week-end.

Informed sources said the wide-bodied 255-seat airliners will be delivered in February 1979. Olympic Airways has an option for three more Airbus airliners for delivery early 1981, the sources added.

It is understood that Olympic Airways will receive a multi-million dollar loan from a consortium of foreign banks to finance the purchase of the planes. The A-300 Airbus will cost about $25m. each.

In January this year planning staff of Olympic Airways drafted a feasibility report which recommended an investment of between $285m. and $457m. on purchases of new aircraft to meet an anticipated increase in passenger and cargo traffic.

France and Brazil agree over $200m. Amazon dam project

BY DAVID WHITE

PARIS, March 14.

ALMOST TWO years after drawing up their first agreement, French engineering companies and Brazilian authorities yesterday signed a Frs.1bn. (about $200m.) deal to equip the Amazon's first big hydroelectric dam at Tucurui.

The contract is shared between the Empain - Schneider and Alsthom-Atlantique groups in what is to be the two French power engineering giants' first large-scale collaboration. Empain-Schneider's share of the work, carried out largely through its subsidiary Creusot-Loire, is 55 per cent.

Creusot-Loire is also competing for the Itaipu hydroelectric project on the Brazilian-Paraguay border, in a consortium with Alsthom-Atlantique and West German companies, *including Siemens, a deal worth*, to the winner, several times the value of the Tucurui contract.

An initial understanding on the Tucurui dam, under construction on the Tocantins river, South of Belem, was reached when Gen. Ernesto Geisel, the Brazilian president, visited France in May 1976.

The French deal is linked to a financial package arranged by Crédit Commercial de France, Société Générale and Banque de l'Union Européenne. The Empain - Schneider group recently took a direct stake in the latter, which finances many of its exports.

Credit Commercial de France is also to take part in an international loan operation for a further $200m. to finance Brazilian work on the dam.

The overall cost of Tucurui, which will have a capacity of 3,000 megawatts, is put at $2bn.

The French consortium, with its Brazilian subsidiaries, is to supply eight turbo-alternators of 375 megawatt potential each for the first stage of the project, which is expected to take eight years to complete.

Fifteen companies, including three in Brazil, will take part in the contract, signed with Eletronorte, the State-owned authority responsible for power in northern Brazil.

The power station will be among the biggest in the world. It will serve bauxite and aluminium developments in the northeastern Amazon region.

A giant aluminium complex has been planned for some time near Belem, grouping Japanese and State-controlled Brazilian interests, while Canadian, Brazilian and other metals companies are going ahead with a $300m. bauxite mining venture further *west on the* Trombetas river. Several iron ore projects are also under way in the region.

Japan car sales in U.K. double

Financial Times Reporter

NEW FIGURES were published in Tokyo yesterday showing that a rapid build-up of Japanese car exports was under way this year before the new measures to curb *shipments* were announced earlier this month.

Japan's two largest car manufacturers, Toyota and Nissan, announced that their exports to Britain in February had more than doubled compared with the same month in 1977.

Toyota said it shipped 5,514 vehicles to Britain in February, up 142 per cent. from the same month last year and about 4.3 per cent. of total February exports of 128,017 vehicles.

Nissan, whose cars are sold in Europe under the Datsun name, increased exports to Britain by 111 per cent. to 15,652 vehicles, about 13 per cent. of the 118,299 units sold abroad in February.

Shipments are expected to drop this month as the new Government-controlled limitations on Japanese exports begin to bite.

Nissan vice - president Masataka Okuma said in a statement that the sharp rise was only temporary, Reuter reports. He said Nissan's total exports to Britain this year would not exceed last year's level of 102,975, in accordance with a formal Japanese Government undertaking to Britain early this month to ensure that *car exports were restrained*.

Toyota did not comment.

Sweden in Iraq medical plan

By John Walker

STOCKHOLM, March 14.

A CONSORTIUM *of* three Swedish companies has signed an agreement with the Panarab development company, ACDIMA to construct a plant to make antibiotics based in Iraq. The value of the contract is said to be Kr.200m. ($43m.).

The companies are Astra Pharmaceuticals Manufacturers, Alfa-Laval, the dairy and industrial separator concern, and the project leaders, Jacobson and Widmark, consultant engineers. ACDIMA (Arab company for Drug Industries and Medical Appliances) is owned by 13 Arab countries and the Swedish consortium hopes for further contracts in the area.

● Mohammed Yeganeh, the Iranian Finance and Economic Affairs Minister, arrived in Bonn for three days of talks with West German leaders, Reuter reports. He is to meet Chancellor Helmut Schmidt, Finance Minister Hans Matthoefer and representatives of West German companies including Krupp, to discuss investment in Iran.

● Howaldswerke Deutsche Werft (HDW) has received an order from Iran to build six type-209 submarines, AP-DJ reports from Hamburg. Delivery times will be from 1982 to 1984. The sub*marines will be built at Kiel* and will provide jobs for 1,100.

Islamic Bank meets

BY WONG SULONG

KUALA LUMPUR, March 14.

FINANCE MINISTERS and governors of central banks from 34 Islamic countries will meet in Kuala Lumpur to-morrow to consider giving fresh impetus to the Islamic Development bank in promoting trade and economic development among member countries.

The four-day second annual meeting of the bank will consider setting up a fund to help member countries boost their exports and to encourage greater flow of trade between member states.

Another proposal likely to be adopted is the opening of two regional offices—one in Cairo, the other in Kuala Lumpur—to cater for the needs of Moslem countries in Africa and South East Asia. This could overcome the problem of finding financial experts who are unhappy with the climate in Jeddah

The bank was set up three years ago, and has a paid-up capital of $2bn., with Saudi Arabia being the biggest contributor. Unlike the World Bank or the Asia uDevelopment Bank, it adheres to the Islamic principle against charging interest as such, instead of granting loans and credit, it prefers to take up equity participation, and has so far invested $273m. in *41 projects* in member states.

Another important proposal which will be discussed at the coming meeting is the creation of a special fund to assist Moslem minorities in non-Moslem countries such as India, Thailand and the Philippines. *However* such *aid* would have to be handed out very carefully in both Thailand and the Philippines, there are active Moslem seccessionist movements, and while the two Governments would welcome such aid, they are naturally anxious that the oil money would not end up fuelling the secessionist cause.

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Sugar refinery for Philippines

By Margaret Hughes

FLETCHER AND STEWART, a subsidiary of Booker McConnell, has been awarded a $31m. contract for the supply of a 550-tons-a-day sugar refinery by the Philippine Sugar Commission, which is responsible for the entire Philippines sugar industry. Commissioning is scheduled *for end 1979 when* a large part of the output will be exported.

The contract covers design, supply, equipment installation and commissioning of the refinery, to be built at Batangas on the island of Luzon.

The contract was negotiated by Dashwood Fletcher -- International, the jointly owned company of Dashwood Finance and Fletcher and Stuart—the fourth such contract which the partners have won jointly in the Philippines.

Financing for the project was arranged by Dashwood Finance with the funding being provided by Samuel Montagu and Midland Bank. That comprised a $23m. buyer credit guaranteed by the Export Credits Guarantee Department (ECGD) and a $8m. Euro-currency loan. Dashwood estimates the total U.K. contract value to be more than $40m. including "invisible" earnings.

Loan sought to import iron

TOKYO, March 14.

SIX BIG Japanese steel companies have asked the Government for a loan of more than $100m. from Japan's foreign exchange reserves for advanced payments of pelletised iron ore to be supplied by Brazil, Chile and India.

They are Nippon Steel, Nippon Kokan, Kawasaki Steel, Kobe Steel, Sumito Metal Industries and Nisshin Steel.

The companies' presidents put the request to International Trade and Industry Minister Toshio Komoto and Economic Planning Agency Director-General Kiichi Miyazawa in accordance with the Government's four-point import promotion plan adopted last week-end.

The loan is for advanced payment for part of the pelletised iron ore to be supplied by Pacific Ores and Trading of Chile, Companhia Nipo-Brasileira de Pelotizacao (Nibrasco) of Brazil and Chowgule and Co. of India. Reuter

New Nairobi airport opens

By John Worrall

NAIROBI, March 14.

NAIROBI'S NEW $65m. international airport at Embakasi became operational to-day with a first Kenya Airways flight to Karachi and Bombay.

Overall planning and design for what is claimed to be the most modern airport in Africa was carried out by Sir Alexander Gibb and Partners. Main contractors were Sogene of Italy. It was undertaken as a joint venture by the World Bank and the Kenya Government.

The airport will be able to handle 1,250 passenger arrivals and the same number of departures every hour and expects to handle 1½m. passengers a year with a top capacity of twice that figure. Thirty international airlines serve Nairobi at present.

It can accommodate ten Boeing 747s or 13 707s simultaneously. Its 4,000-metre runway can also take the Anglo-French Concorde, which recently carried out tests on the runway. Cargo capacity at the airport is 30,000 tons rising to 100,000 tons a year.

Government policy has been to use as much local materials as possible—about 30 per cent. Excessive automation has been avoided to provide jobs for local workers—the staff is about 2,000.

Pirelli lands big cable order from Canadians

BY PAUL BETTS

ROME, March 14.

THE VANCOUVER - BASED British Columbia Hydro and Power Authority has awarded Industrie Pirelli, the Italian operating company of the Dunlop-Pirelli Union, a research and development contract for a 525 kv alternating current submarine cable link, Pirelli reported in Milan to-day.

The cable is to be installed in 1983 and is intended to increase the existing power transmission capacity between Vancouver Island and the Canadian mainland.

The voltage, power, and laying depths envisaged for the project are the highest ever planned for submarine cable links, the Italian company said.

● Italconsult, the Italian engin*eering company, announced* that it has received a contract from Saudi Arabia for projecting a 7 km. sea terminal for unloading and loading goods and raw materials, AP-DJ reports from Milan.

Italconsult, a subsidiary of the Italian chemical giant Montedison, said the terminal will be part of the big industrial plant of Jubail, providing total investments of L15bn. over the 1978-83 period.

Italconsult did not disclose financial details of the contract. It said the U.S. Bechtel group and the Canadian Fenco company will co-operate in the project.

It added that the terminal, with fully automated transport, will have an initial yearly movement of about 40m. tonnes.

● Another Italian company, Salini Costruttori, said it is leading a consortium that signed a $110m. contract with Algeria for construction of seven grain stocking plants, Reuter reports.

● Worthington, subsidiary of Worthington Corporation of New Jersey, has received a L1.3bn. contract from Tunisia to build a 40km aqueduct, including electro-mechanical and remote control equipments, AP-DJ reports. The aqueduct will pump water from Gafsa to the phosphate mine of Sehib for processing minerals.

Israel electronics

Israel's electronic components industry is being expanded with the investment by Deutsch Electro Mechanical Industries of California of $2m. in a plant at Rison Letzion. L. Daniel writes from Tel Aviv.

Swiss in surplus

Switzerland had a trade surplus of Sw.Frs.48m. in February after a deficit of Sw.Frs.210m. in January and a deficit of Sw.Frs.114m. in February last year. Exports totalled Sw.Frs.3.34bn. in February and imports were Sw.Frs.3.29bn. Reuter

Confectionery exports up

BY LORNE BARLING

DESPITE problems over trade barriers, British cake, biscuit and confectionery exports increased by 41 per cent. in value last year to £226m., compared with £188m. for 1976.

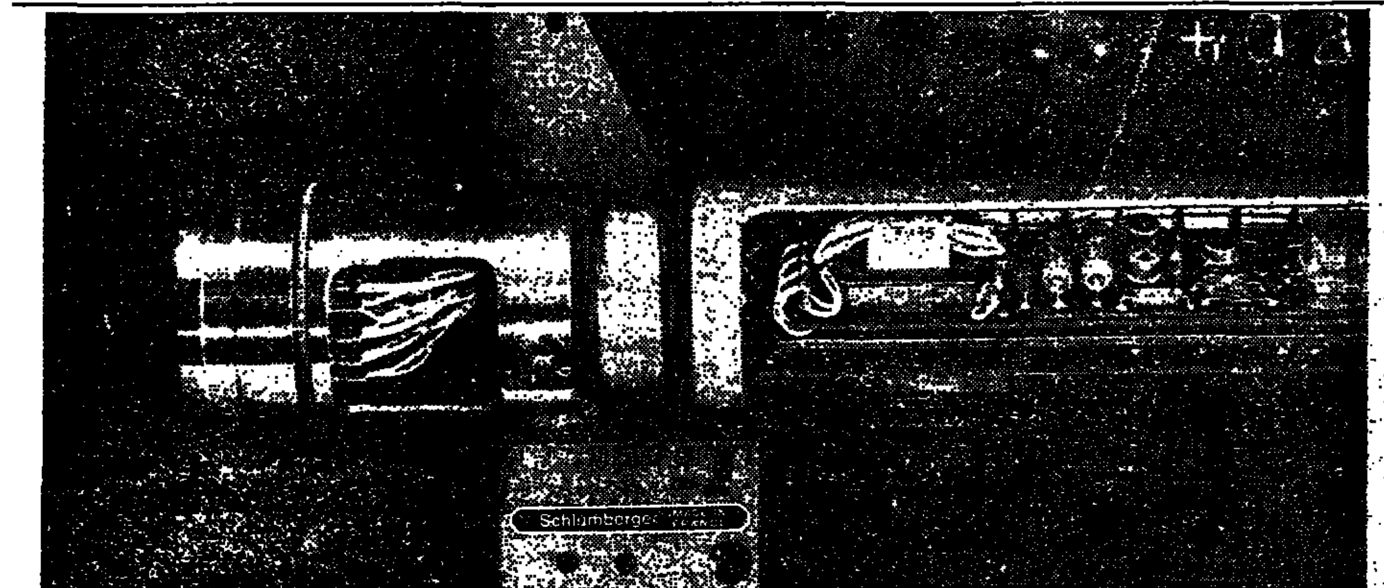
However, Mr. Sidney Free, chairman of the joint export committee of the Cake and Biscuit Alliance and the Cocoa, Chocolate and Confectionery Alliance, said that the *Monetary Compensatory* Amounts (MCAs) imposed by the EEC on exports since July were now beginning to bite, rendering British products less competitive both within and outside the EEC.

The U.S. remained the largest single market for buiscuits and confectionery which amounted to 68 per cent. of processed food exports for the U.S. in 1977.

The Middle East was a most successful export market for both industries, with Saudi Arabia accounting for a staggering 164 *per cent. increase for confec*tionery products and 66 per cent. for cakes and biscuits.

£800,000 HK deals

U.K. companies have secured orders worth a total of £800,000 at the British Industrial Exhibition in Hong Kong which ended last Saturday. The 148 exhibitors are also expecting follow-up busi*ness worth about* £2.75m. as a result of negotiations initiated during the exhibition.



COMPANY NOTICES

GM

BEARER DEPOSITARY RECEIPTS

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 20th February, 1978, NOTICE is now given that the following distribution will become payable to AUTHORISED DEPOSITARIES on and after the 15th March, 1978, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION PER UNIT	5.00	CENTS
LESS 15% U.S. WITHHOLDING TAX	0.75	CENTS
	4.25	CENTS PER UNIT
CONVERTED at $1.8950 =	2.2427	PENCE PER UNIT

Barclays Bank Limited.
Securities Services Department,
54 Lombard Street, EC3P 3AT.

15th March, 1978.

TOKYO SANYO ELECTRIC COMPANY LTD.
(CDR's)

The undersigned announces that as from 20th March, 1978 at Kas-Associatie N.V., Spuistraat 172, Amsterdam, div. cp. no. 3 (accompanied by an "Affidavit") of the CDRs Tokyo Sanyo Electric Company Ltd., will be payable with $1.08 net per CDR. repr. 100 shs and with $10.80 net per CDR. repr. 1.000 shs. (div. per record-date 30.11.77: gross Yen 3.—p.sh.) after deduction of 15% Japanese tax=Yen 45, — = $ —, 19 per CDR, repr. 100 shs. and Yen 450= $1.90 p.CDR repr. 1.000 shs.

Without an Affidavit 20% Jap. tax (=Yen 60=$ —, 25 p.CDR. repr. 100 shs. and Yen 600=$2.50 per CDR, repr. 1.000 shs.) will be deducted.

After 30.6.78 the div. will only be paid under deduction of 20% Jap. tax with $1.02 and $10.20 resp. net, in accordance with the Japanese tax regulations.

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam.
March 9, 1978.

LEUMI INTERNATIONAL INVESTMENTS N.V.

U.S. $20,000,000 GUARANTEED FLOATING RATE NOTES 1984

The interest rate applicable to the above Notes in respect of the six-month period commencing March 15, 1978, has been fixed at 8% per annum.

The interest amounting to U.S.$40.89 per bond of U.S.$1.000 nominal and to U.S.$408.89 per bond of U.S.$10.000 nominal will be paid on September 15, 1978, against presentation of coupon No. 2.

BANK LEUMI TRUST COMPANY OF NEW YORK,
Principal Paying Agent.

LEUMI INTERNATIONAL INVESTMENTS N.V.

U.S.$30,000,000 GUARANTEED FLOATING RATE NOTES 1981

The interest rate applicable to the above Notes in respect of the six-month period commencing March 15, 1978, has been fixed at 8% per annum.

The interest amounting to U.S.$40.89 per bond of U.S.$1.000 nominal and to U.S.$408.89 per bond of U.S.$10.000 nominal will be paid on September 15, 1978, against presentation of coupon No. 4.

BANK LEUMI TRUST COMPANY OF NEW YORK,
Principal Paying Agent.

PROVINCE OF NEWFOUNDLAND
9% 1977/1989
$U.S.50,000,000

Pursuant to the terms and conditions of the loan, notice is hereby given to Bondholders that, during the twelve-month period ending February 14, 1978, $US 350,000 of such Bonds were purchased in satisfaction of the Purchase Fund.
Outstanding amount: $US 49,650,000.

THE FISCAL AGENT
KREDIETBANK
S.A. Luxembourgeoise.

Luxembourg.
March 15, 1978.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR's) IN MITSUI & CO. LTD., TOKYO

We are pleased to confirm that copies of the Semi Annual Report for the six months ended September 30, 1977 of Mitsui & Co. Ltd., are now available to EDR holders upon application to the following sub-depositaries:

Citibank Branches in:

Amsterdam	Paris
Frankfurt	Citibank (Luxembourg) S.A.
Milan	Citibank (Belgium) S.A.

Kredietbank S. A. Luxembourgeoise—Luxembourg

Bank of Tokyo Branches in:

Brussels	London
Dusseldorf	Milan
Hong Kong	Paris

CITIBANK, N.A.
London Depositary.

March 1977.

LEGAL NOTICES

No. 00675 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ROAD MACHINES (DRAYTON) LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN that a Petition for the Winding Up of the above-named Company by the High Court of Justice was on the 27th day of February 1978, presented to the said Court by ALHAJI UBA RINGIM AND COMPANY (NIGERIA) LIMITED a company incorporated according to the laws of Nigeria and whose address is P.O. Box 677, Kano Nigeria, Licensed Groundnut Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 10th day of April 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

WILLIAM A. CRUMP & SON,
9, St. Helen's Place,
London EC3A 6AE.
Ref: KBS. Tel: 01-388 2063.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 7th day of April 1978.

CLASSIFIED ADVERTISEMENT RATES

	Per line £	Single Column cm. £
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Residential Property	2.00	8.00
Appointments	4.50	14.00
Business & Investment Opportunities, Corporation Loans, Production Capacity, Businesses For Sale/Wanted	5.35	16.00
Education, Motors Contracts & Tenders, Personal, Gardening	4.25	13.00
Hotels and Travel	2.75	10.00
Book Publishers	—	7.00

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Classified Advertisement Manager,
Financial Times,
10, Cannon Street, EC4P 4BY

A FINANCIAL TIMES SURVEY

IRELAND

The Financial Times Survey on Ireland scheduled for publication today will now appear on

THURSDAY, MARCH 16, 1978

The Financial Times regrets any inconvenience to its readers.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

HOME NEWS

Component companies improve performance

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

BRITISH COMPONENT companies have achieved a substantial improvement in commercial and financial performance during the last three years, despite the lack of growth in U.K. vehicle production during this period.

This emerges from a survey of the components industry by ICC Business Ratios. Sales, both at home and overseas, have risen broadly in line with inflation, but companies have nevertheless increased their profits by improved cost controls.

Profits of the 60 companies covered by the report rose by 102 per cent. in the three-year period, compared with a sales increase of 48 per cent. The profit margin on sales rose from 6.1 per cent. in the 1975 financial year to 6.4 per cent. in the following year and 8.3 per cent. last year.

Return on capital rose over a similar period from 12.2 per cent. to 17.1 per cent.

These improvements were achieved without any substantial expansion in export sales. These rose by 48 per cent. in the period keeping in step with inflation, and export sales remained steady with total turnover.

In 1975, exports accounted for 17 per cent. of sales, rising to 17.6 per cent. in 1976, and dropping to 17.3 per cent. last year.

Most of the improvement in the performance of the component companies came from tighter operating controls. The rapid rise in profitability last year suggests that the sector managed to push through a number of price rises to improve operating margins.

But at the same time, manpower was considerably reduced. A selection of 32 companies in the survey cut their workforces from 54,000 men to 43,000 in the three-year period, while improving their average profits per employee from £434 to £958.

Stock turnover also improved in 1976, rising by 11 per cent., compared with the previous year, although it fell again by 2.5 per cent. last year.

In addition, the companies tightened up their credit administration, reducing the average collection period from 85 to 75 days.

Probe into school maths

A GOVERNMENT INQUIRY into mathematics teaching in English and Welsh schools was announced by Mrs. Shirley Williams, Secretary for Education and Science, in the Commons yesterday.

The study would cover the maths skills needed in employment as well as the multiplicity of syllabuses in the subject which can be taken in the national 16-plus and GCE A-level examinations, Mrs. Williams told Mr. Frank Hooley (Lab., Sheffield Heeley).

HP controls to curb car imports criticised

BY DAVID CHURCHILL

CONTROLS on hire-purchase terms as a form of import restriction for cars was criticised by Mr. Ron Barnes, chairman of the Finance Houses Association, at the association's annual dinner last night.

The controls are said to ensure that demand for cars does not outstrip the U.K. industry's ability to supply vehicles. If controls on hire purchase loans were lifted, it is urgued that the demand would be met by imports.

But Mr. Barnes said that the use of terms control as a form of "disguised" import control had been a failure.

"The level of imported cars as a percentage of new registrations in this country is double that of France and Germany, and more than double that of the U.S."

Terms control "grossly distorted" the car market, making it more difficult to predict the volume of sales and second-hand values.

Exports rise to record level

THE VISIBLE trade account improved by £418m. last month from the erratically large January deficit. Export volume rose by 14 per cent. to a record level, with widespread rises in sales of machinery, road vehicles and chemicals.

Over the last three months, there has been a visible trade deficit of £326m., compared with a surplus of £176m. previously.

A reduction of more than £100m. in the surplus on the more erratic items (especially precious stones) from a relatively high level, together with an increase of about £120m. in the deficit on trade in oil from a comparatively low level, accounted for nearly half the deterioration.

BALANCE OF TRADE

		Exports £m. seasonally adjusted	Imports £m. seasonally adjusted	Exports Volume seasonally adjusted 1975=100	Imports Volume seasonally adjusted 1975=100	Terms of trade *Unadjusted 1975=100	Oil balance £m.
1976		25,422	28,932	109.9	105.5	98.9	−3,973
1977		32,176	33,788	118.9	107.0	100.7	−2,804
1976	1st	5,655	6,198	106.2	100.3	99.8	−947
	2nd	6,171	7,080	109.9	106.0	97.9	−968
	3rd	6,499	7,596	110.0	108.3	98.7	−1,058
	4th	7,097	8,058	113.5	107.3	97.3	−1,000
1977	1st	7,502	8,449	115.7	109.1	99.0	−800
	2nd	7,930	8,694	118.0	109.8	100.3	−745
	3rd	8,540	8,486	124.1	106.4	101.0	−602
	4th	8,204	8,159	117.9	102.6	102.4	−657
	October	2,756	2,703	119.4	101.3	101.7	−228
	Nov.	2,668	2,600	115.3	98.4	102.4	−154
	Dec.	2,780	2,856	118.9	108.1	103.1	−275
1978	Jan.	2,675	2,959	112.6	114.4	105.4	−236
	Feb.	3,000	2,916	128.7	110.6	104.7	−202

* The ratio of export prices to import prices
Source: Department of Trade

Barclaycard offers foreign cash advances

BY MICHAEL BLANDEN

BARCLAYCARD, THE credit card group owned by Barclays Bank, is offering cash advances in local currencies up to the equivalent of £100 a day at 61,500 bank branches around the world to its 3.8m. holders.

In a package announced yesterday, the bank increased the limit on cheque cashing for Barclays customers at the bank's overseas branches, and changed one of the conditions applying to the Barclaycard cheque guarantee service within the British Isles.

The major development is the new service of £100 cash advances in local currencies which will be available from March 20. This will be offered at branches of banks which are fellow members of the Visa International credit card scheme, including some 8,500 in Europe.

Visa is owned and operated by some 9,000 banks in 118 countries, and has more than 52m. holders of the blue, white and gold cards. The standard 2½ per cent. service charge on cash advances will apply.

The second change applies within the Barclays group itself. The limit on cheque encashment by Barclays customers at the group's overseas branches has been raised from £30 to one cheque of £50 a day.

Within the British Isles, where Barclaycard will continue to operate as a cheque guarantee card as well as a credit card, the terms of the guarantee have been changed to bring the group into line with the other U.K. banks.

The guarantee is no longer limited to transactions of £50 or less, but can be applied where a cheque is issued for not more than £50 in relation to any one transaction.

The bank's argument with Eurocheque, which has been going on for a considerable time, has also been sorted out. Eurocheque is an international cheque guarantee system, but the argument arose over the dual function of Barclaycard which is also, and chiefly, a credit card.

Other members of Eurocheque, particularly in West Germany and the Benelux countries, have been pressing Barclays to separate the two functions. But the U.K. bank has been reluctant to undertake the extra expense and inconvenience this would involve.

From May 1, Barclays customers will be able to apply through their branch for a separate Barclays Eurocheque Encashment Card, which will support cheques up to £50 per encashment under the Eurocheque scheme outside the British Isles.

Mr. John Quinton, a general manager of Barclays, said that Eurocheque wished to limit membership exclusively to cheque guarantee cards.

He added that use of Eurocheques by Barclays customers had been slight. "In the past year, only one in 400 of Barclays' personal customers actually used the system.

"We are not, therefore, expecting any great demand for the new card. We believe some customers will find it a useful service in emergencies—which is also the chief value of the new cash advance system," he said.

Ever Ready to press Hattersley for 7% rise

By David Churchill

SENIOR MANAGEMENT from Ever Ready is to meet Mr. Roy Hattersley, Prices Secretary, today to press its case for an immediate 7 per cent. price rise instead of the 2 per cent. recommended by the Price Commission.

The company is expected to make clear to Mr. Hattersley that if its return on capital is reduced by price restrictions, some of its least efficient factories may be put in jeopardy in the long term.

Ever Ready will also point out to Mr. Hattersley alleged inaccuracies and inconsistencies in the report.

The Price Commission recommended that Ever Ready should be allowed only a 2 per cent. rise to last until September this year. It based its recommendation on the fact that Ever Ready had a monopoly of the U.K. dry battery market and could not justify a higher price rise and, as a result, a higher return on capital.

A rise of 7 per cent. would give Ever Ready a return on capital "well above the level that could be obtained in a more competitive market," the report said.

Not essential

Ever Ready, however, says that there is no evidence to suggest that it misuses its monopoly position in the U.K. It says that in the highly competitive overseas market, where it is not in a dominant position, it still achieves a return on capital higher than that the Commission believes fair for the U.K.

Criticisms of Ever Ready for not giving full information on operations overseas are rejected by the company. It says that such information "was not essential to the investigation of its proposed price rise and could, if published, be of use to overseas competitors.

Even so, Ever Ready feels that some of the information disclosed in the report—it refuses to say exactly which—could still be of value to competitors.

NEB finds too few investment chances

BY NICHOLAS COLCHESTER

THE difficulty of finding satisfactory opportunities for investment in Britain's medium size companies emerges clearly in the latest volume of oral evidence published by the Wilson Committee.

The National Enterprise Board, Finance for Industry, and Equity Capital for Industry all say that shortage of money to lend is the least of their problems.

The NEB said that it had now looked at about 350 potential investments and had invested in about 30 of them.

Equity Capital for Industry, a body sponsored by investing institutions, had invested in four companies out of a total of 130 applications.

The committee plainly needed some convincing that ECI had a real role and asked some pointed questions. Lord Plowden, the chairman, replied that, after nine months, the ECI executives felt that there was an equity financing gap for ECI to fill.

They were not yet sure how big it was or whether they were the right people to fill it.

Sir Leslie Murphy, chairman of the Government-backed NEB, said that the NEB was not constrained by shortage of funds. He was confident that the Government would supply more funds if necessary.

Committee members questioned Sir Leslie on suggestions that the NEB was introducing unfairness into the market for takeovers and investment capital.

Two of them, Mr. Kenneth Cork and Mr. Brierley cited correspondence from companies claiming that the NEB had conferred unfair advantage on its competitors.

Sir Leslie stressed that the NEB was actively pursuing an industrial strategy and that it was doing in line with the "commercial criteria" of a 15-20 per cent. long-term return on capital employed.

Finance for Industry reported that demand for capital by larger companies remained flat but that there had been a notable pick-up of late in the demands of small companies.

FFI's small company arm, ICFC, currently has a "book" of applications for loans totalling £75m. after several years when this book was running at a level of about £30m.

The number of advances made so far this financial year is up accordingly.

In written evidence to the Committee, published to-day, the National Research Development Coporation claims that by backing technological innovation it helped to generate some £100m. of industrial production in Britain last year, and that the accumulated total over the last decade must be around £600m.

Arab link for accountants

BY RAMI G. KHURI IN AMMAN AND MICHAEL LAFFERTY IN LONDON

THOMSON McLINTOCK, one of the larger U.K. accounting firms, is about to appoint Shair and Co., the Jordan Arab accounting firm with which Deloittes recently broke off links, its representative in the Middle East.

Shair will also represent McLintock Main Lafrentz, the international accounting group led by McLintocks and Main Lafrentz, a substantial U.S. accounting firm.

Deloittes, one of the "Big Eight" international accounting firms, ended its association with Shair "by mutual consent" and is embarking on a programme to develop its own offices throughout the Arab world. The firm says it has taken a policy decision to have no more associates.

McLintock's quick signing-up of Shair reflects the difficulties large British accounting firms find in operating in Arab countries.

Suitable associates, with the necessary spread of staff and experience, are hard to come by.

McLintocks was previously connected with a firm called Fauzi Saba, operating in the United Arab Emirates and Saudi Arabia. But this firm joined in "full partnership" with Coopers and Lybrand, another "Big Eight" firm, last July, leaving McLintock unrepresented.

Mr. James Macnair, a senior Thomson McLintock partner, said yesterday that a representative agreement with Shair would probably be signed early next week.

Shair would then carry out work on behalf of all firms in McLintock Main Lafrentz in the Middle East countries. It would not sign reports in either McLintock's or MML's name.

Orders made against concrete suppliers

By Michael Cassell, Building Correspondent

SOME OF the country's largest ready-mixed concrete suppliers had orders made against them yesterday in the Restrictive Practices Court to restrain them from unlawfully operating pricing agreements.

The move, sought by Mr. Gordon Borrie, Director-General of the Office of Fair Trading, involved 33 companies and 60 separate agreements. It followed months of investigations by the Office of Fair Trading, which resulted in nearly 150 agreements being uncovered and placed on the Register of Restrictive Practices. All the agreements have since been ended.

Among the companies involved in yesterday's court action were Amey Roadstone, Ready Mixed Concrete, Steetley, Tilling Construction, Redland Readymix and Mixconcrete.

The orders, made under Section 35 of the Restrictive Trade Practices Act, restrain the companies from operating the agreements or any others which are registrable under the Act but which have *not* been registered.

Builders oppose cut in mortgage levels

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

A FURTHER reduction in already low house-building output may result from the Government's insistence on reduced mortgage lending levels, says the Federation of Master Builders.

Mr. Henry Stradling, senior vice-president of the federation, said in London yesterday that he believed any attempt to keep house prices down would affect building activity.

"Far from holding prices down to an artificially low level, the Government should permit them to rise to a figure which reflects the true cost of building.

"Since 1973 the cost of materials and labour has risen by an average of 94 per cent. But house prices show an average increase of only 41.8 per cent.

Home-loan restriction shows 'crazy thinking'

BY ERIC SHORT

THE GOVERNMENT agreement with building societies and life companies to restrict mortgage lending this year was attacked yesterday by Mr. David Donald, general manager and actuary of *Standard Life*, Scotland's largest life company.

He told a Press briefing on the company's 1977 results that the directive was "one of the craziest bits of inverted thinking to come out of Whitehall."

The restriction would "inevitably" fuel a steep rise in house prices within nine months because the lack of incentive to build houses would put pressure on the prices of existing houses.

Francis Towne watercolours fetch £48,230 at Christies

SALEROOM
BY ANTONY THORNCROFT

TWENTY-TWO watercolours by Francis Towne, a name pre-eminent among English watercolourists, sold for £48,230 at Christie's yesterday.

They were part of a sale of English drawings and water colours which totalled £130,078. While individual prices for the Towne works were not exceptional, the total for the group was.

Spink and Son, Leger Galleries and Agnew's were particularly active, the top lot of *The Vale of St. John in Cumberland looking towards Grasmere* going to the latter at £7,500. A similar view, looking towards Keswick, sold for £5,800.

An anonymous bidder paid £4,800 for *Ambleside*, one of a number of pictures emanating from Towne's tour of the Lake District in summer 1786, after his return from Switzerland and Italy.

The Fall of Babylon by Joseph Michael Gandy went to the Fine Arts Society at £6,500, and Peter de Wint's Lincoln Cathedral to Fry at £3,200.

A sale of musical instruments, manuscripts, autograph letters and printed music, also at Christie's, totalled £34,065.

A violin by Ferdinando Gagliano of Naples, 1770, went to Blum, the German dealer, for £8,500, and a spinnet, possibly by Michel Richard of Paris, 1690, was bought anonymously at £6,000.

A portrait of Franz Liszt, dated 1827, by James Antony Minasi made £1,300. According to the date, it would have been executed when Liszt was 16 and visiting London for the second time—as a young pianist.

Christie's also held a sale of enamels and objects of vertu which totalled £23,060. The sale's top lot, at £1,300, was a Continental silver-gilt and gem-set model of a stage coach from the 19th century.

At Christie's South Kensington, a motoring sale totalled £12,025, with a car mascot, a Lalique glass Spirit of the Wind, making £850.

Phillips' set a record for its saleroom for an item of furniture when a Regence commode attributed to Francois Lebesque, in the manner of A. C. Boule, sold for £16,000, about double its forecast.

All told, the furniture sale made £115,600. Suliman paid £8,000 for a Kashan silk rug. Among the books, a letter from Nelson went for £360.

Four auctions were held at Sotheby's: English pottery and porcelain, which totalled £53,771; arms and armour, which made £97,973; the second day of the music sale which totalled £52,153, and, at Sotheby's Belgravia, a small Victorian picture sale which realised £23,585.

Top price among the ceramics was the £2,500 (double the estimate) from Horn for a London Delft silver mounted mug, c. 1685. Newbon paid £1,600 for a Wedgwood and Bentley vase and cover, and Winifred Williams £1,400 for an early Chelsea white Chinaman and Serpent teapot and cover.

1990's air plans 'need launching'

By Lynton McLain, Industrial Staff

PLANS TO cope with the expected growth in air traffic to the end of the century must be started now, Mr. Norman Payne, chairman of the British Airports Authority, told the House of Commons select committee on nationalised industries yesterday.

He told MPs on the committee that a fourth London airport, such as Maplin, would have been a huge investment and could have been available before it was needed.

The authority was not against consideration of a fourth airport, but it believed that the problems of passenger access and of convincing the airlines to fly to a new airport far from London still existed.

A completely new greenfield airport to meet demand in 1990 would take 12 years to build and would have to be started to-day, he said. A civil airport on a military site would take 10 years and expansion at Stansted would take eight to nine years.

Mr. Payne said there was uncertainty over air passenger growth figures after 1990, but "we have not long to decide on the airport capacity we need." Expansion at Stansted could give it an annual capacity of 4m. passengers, at Heathrow 38m., at Gatwick 25m. and at Luton 5m. —a total of 72m.

It was vital that the long-term future of Luton and Stansted were discussed now before major decisions on meeting future requirements were made.

In any event there "must be new capacity to handle new growth in the South-East,"

Mini-sub order may be banned

Financial Times Reporter

THE DEPARTMENT of Trade is almost certain to stop Vickers Slingsby accepting a £3m. order from the Soviet Union for two mini-submarines.

Vickers Slingsby, which specialises in products using high strength glass-reinforced plastics, has been told that it is "most unlikely" to be granted an export licence for the two submersibles.

Mr. George Burton, managing director of Vickers Slingsby, said yesterday it was thought that the Department did not want this particular type of technology exported to the Russians.

His company had so far not gone into the export market, Mr. Burton added. Russia had taken the initiative in asking for the two submersibles.

Vickers Slingsby, which has an annual turnover of more than £2½m., was not particularly worried about losing the Russian order.

It hope to be able to export in the future, though probably not to Eastern bloc countries. Its products include gliders, equipment used in Naval minesweepers, and submersibles.
arinest ETA O... ... ...

The company, based at Kirkbymoorside, Yorkshire, was set up in 1969 when the Vickers group bought up the assets of a defunct aircraft manufacturing concern.

Court studies gold-dealing schedules

SCHEDULES of gold-share dealings were produced by Mr. George Edward Miller, 38, a former partner in Chapman and Rowe, when he gave evidence in his defence at the Old Bailey yesterday.

They showed the results of his efforts to operate in this market between 1973-74.

Mr. Miller said that although he had run a bear account on gold shares, he also did considerable dealings in equities, which dominated his activities just before the company collapsed in April, 1974.

"Times got fraught in the last four months owing to the state of the market and my own personal position," he said.

"Gold shares were going up and up and I was in a state of confusion over them. I did not have much time for talking with other people in the firm as I was going through a terrible period."

Mr. Miller, who joined Chapman and Rowe in 1970, said he never agreed to provide a false balance-sheet of company activities for the Stock Exchange or to pledge clients' stock unlawfully.

Denials to charges of fraud and other alleged offences have been entered by Mr. Miller and the other three defendants, Mr. Alan Harman, Mr. Ralph Clarke and Mr. John Goodsell.

The hearing was adjourned until to-day.

William Press wins £23.5m. contract

BY RAY DAFTER, ENERGY CORRESPONDENT

WILLIAM PRESS AND SON, now being investigated by the Inland Revenue, has won four contracts in energy related industries worth £23.5m. One contract, for North Sea oil platform equipment, could lead to a significant increase in employment on Tyneside.

Many of the documents removed by Inland Revenue investigators on Monday last week have been returned to the international industrial plant and mechanical engineering group. The company has also been given access to papers still being scrutinised, so that trading activities can continue.

Sacks of documents were removed by tax officials after searches of William Press offices in London, the West Midlands, Darlington and Scotland.

It was learned yesterday that the group has received an £8m contract to build five prefabricated production units for Continental Oil's Murchison Field platform. The units, known as modules, will each weigh between 650 and 1,200 tonnes. They are due to be delivered in summer next year.

The modules will be made at the company's site at Howdown, on Tyneside. The site is to be extended by five acres to cope with the contract and other orders. It is estimated that the 250 workforce could double over the next year.

William Press also announced yesterday that it had been awarded a key contract in the construction of the £670m. crude oil terminal at Sullom Voe, Shetland.

The company will carry out mechanical erection work on oil processing facilities at the terminal. The £10m. contract was awarded by John Brown, the main contractor for BP Petroleum Development, the construction and operation managers of the new terminal.

Work is due to start in the summer and last for about two years. Some 500 people will be employed on this project, all accommodated in one of the terminal camps.

The plant is being built to process 826,000 barrels of crude oil a day. Gas will be removed from the crude before the oil is shipped to refineries.

It is thought that Sullen Voe will begin receiving its first oil, via the Ninian pipeline, in September. This oil—either from the Ninian or Heather fields—will not be processed.

BP expects to begin processing oil in March next year. Sullom Voe terminal will be the main landing point for most of the big fields north east of the Shetland Islands.

William Press has also announced the award of two other contracts totalling £5.5m. South Eastern Gas has asked the company to undertake work, valued at £4.5m., involving the laying of new gas mains, leakage detection and maintenance of existing distribution systems.

The company said the contract marked the return of the company to the London area where, three years ago, it played a major role in conversion to natural gas.

The agricultural division of Imperial Chemical Industries has called on William Press to erect mechanical equipment and to fabricate and erect process pipework at a Nitram nitrogenous fertiliser complex at Cleveland. The expansion programme is costing £35m. and the contract is worth about £1m.

UN shipping code splits EEC nations

BY LYNTON McLAIN, INDUSTRIAL STAFF

EEC MEMBERS, including Britain, are still far from agreeing to a UN code of conduct for established shipping cartels or liner conferences, Department of Trade officials told a Parliamentary select committee yesterday.

Liner conferences are associations of ship owners providing regular general cargo services, fixing rates, distributing cargo and pooling revenue. Merchant ship liner trade runs to agreed timetables on set routes and is distinct from tramp shipping, representing 24 per cent. of world shipping and 20 per cent. of U.K. shipping.

It excludes tanker and dry bulk trade, but can include container traffic.

The code of conduct was adopted by the 1974 UN conference in Geneva despite U.K. objections. Some Community members voted in favour but the code has not yet come into force.

It calls for cargo carried by a liner conference to be shared in the proportions of 40 per cent. each for the shipping lines of the exporting and importing countries and 20 per cent. for those of third nations

There would also be mandatory conciliation procedures in a dispute and a minimum period of notice of increases in freight rates.

The EEC has prepared a draft regulation proposing accession by member states and by the Community to the code subject to special arrangements. These aim to reconcile differences and avoid discriminations between member states and conflict with EEC Treaty obligations.

The draft regulation also aims to ensure that cargoes are allocated among shipping lines of a commercial basis.

Mr. Gerald Lanchin, head of the shipping policy division of Department of Trade, told the select committee on European legislation sitting with a House of Lords select committee on the European Community, that there was great pressure to come to a decision this year. EEC Transport Ministers meet on June 12 but no final decision is expected.

Many countries support the code but so far, only India has signed the agreement.

Mr. Lanchin said he would be surprised if Japan or the Eastern bloc nations proceeded to full ratification before the EEC.

One problem concerning the U.K. was that 40 per cent. and 20 per cent. cargo had not been defined by the United Nations. But he warned that absolute rigidity on the cargo sharing issue could lead to inefficiency among shipping lines.

Banks plan expansion programme

By Michael Blanden

THE TRUSTEE Savings Banks plan to press ahead with efforts to gain extended exchange control authorities to provide customers with a more comprehensive foreign exchange and exchange control service.

This is one of the steps the banks expect to undertake as they move towards their aim of becoming a fully-established third force in the banking business.

The annual report of the Central Trustee Savings Bank, which provides their central organisation, says that it assisted the banks with the sale of sterling and foreign currency travellers' cheques totalling £11.5m. in the year to November 20. In March last year, a foreign cheque negotiation/collection service was set up, and items drawn in 29 different currencies were handled.

Mr. P. F. Keens, chairman, says that talks are continuing with the Bank of England to give the central Trustee Savings Bank more authorities.

He says that the bank urgently needs to replace existing computer facilities with a more sophisticated system to meet the expansion of the volume of credit and debit clearings.

Last year, deposits held by the banks with the central organisation fell from the unusually high figure of £533m. to £430m., largely because of restructuring the Trustee Savings Bank portfolios.

During the year £46.8m. in interest (against £44m. in the previous year) was paid to Trustee Savings Banks, while £2.95m. (against £1.38m.) was recovered by way of clearing charges.

In favourable market conditions, the central Trustee Savings Bank showed a pre-tax profit on its banking operations of £8.18m., compared with a £198,000 loss in the previous year.

New Highway Code published

AN UP-DATED version of the Highway Code was launched yesterday, with Mr. William Rogers, Transport Secretary, promising that he would consider publishing a simplified version for children.

The code was the "distilled wisdom of all those who used the roads," he said. It had been approved by Parliament in November, 1977, and replaced a version published nine years ago.

The major alterations in the new code, arising from changes in traffic management, vehicles and road design, include advice on the safety of children in cars, about seat-belts and about drinking and driving.

Motorists are told not to use any tinted optical equipment, including ski goggles, at night or in poor driving conditions.

When Parliament discussed the Code last year, MPs said amendments to the Code should be possible without further recourse to Parliament.

Highway Code: HMSO 25p.

Council may build homes to sell

MANCHESTER'S Labour-controlled City Council is to consider building homes for sale. At present it has 105,000 council homes.

Councillor Norman Morris, Labour leader, said yesterday that he wanted the possibilities examined.

Building for sale would not impinge on the city's municipal building programme, which would be maintained, but would be designed to achieve a better social mix in residential areas and would satisfy the needs of people who wanted to occupy their own homes, he said.

Private zoo to become charity trust

Financial Times Reporter

MARWELL Park Zoo, near Winchester, is to be run by a charitable trust to avoid tax problems.

Mr. John Knowles, the zoo's owner, whose investment now tops £500,000 since the park opened nearly seven years ago, said yesterday that the effects of Capital Transfer Tax if both he and his wife died had prompted the move.

Threatened species might have to be auctioned off to the highest bidder to help pay the tax bill, he added. The collection, mainly cats, antelopes and zebras, formerly included Victor, the giraffe who died last year after doing the splits.

Mr. Knowles, who started the zoo on the proceds of a computerised poultry business, added that the move would help resolve a conflict of interest, between his belief in private enterprise and the need to maximise profits, and the desire to conserve wild life.

"The public would be satisfied looking at two tigers, which would be cheaper to run than 12. But that approach would not help conserve them," he said.

As a trust, the zoo could solicit donations which would help finance expansion of its work. Mr. Knowles had always refused donations in the past on the grounds that he might be accused of lining his pockets.

Airport fees rise by 13%

LANDING fees at Scottish airports are to be increased by 13 per cent. on April 1, the British Airports Authority announced yesterday. The rise is to cover inflation and help bring income closer to the cost of providing services, it said.

Teesside oil plant building costs rise again by millions

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BUILDING COSTS for two of the biggest chemical and oil plants under construction on Teesside have risen again by many millions of pounds as contractors struggle to complete projects more than a year behind schedule.

Monsanto, one of the leading U.S. chemical companies, has finally started the preliminary commissioning of its plants at Seal Sands, but it does not expect to bring them on stream before the third quarter of 1978, at least a year late.

The cost of the project, the biggest single investment made by the company world-wide, has risen to £180m. against last year's estimate of £150m.

To the concern of other companies engaged in large site construction in the area, the mechanical engineering workforce on the Monsanto site has been offered a special £25-a-week third tier payment to complete the plants.

The payment, which will be made if the workforce stops unofficial action and absenteeism, will be over and above the basic rate and the guaranteed bonus.

Termination bonuses are not a new phenomenon in the region. Laing Offshore's termination payment two years ago to its oil platform workers at the now-mothballed Graythorp yard publicly established the practice.

Other companies building large plants in the area, such as Imperial Chemical Industries and the British Steel Corporation, find such payments punitive as claims leapfrog rapidly from site to site.

Monsanto's acrylonitrile plant at Seal Sands will nearly treble its capacity for this important plastics and textiles intermediate chemical at the site to 300,000 tonnes a year.

Alongside it is building a 90,000-tonnes-a-year nylon intermediates plant in a joint venture with Montefire, a subsidiary of Montedison, the Italian chemicals conglomerate.

Even when the plants come on stream, however, Monsanto will only be able to use part of the extra capacity because of the slump in European markets for nylon and acrylic textiles that has occurred since the plants were begun.

Meanwhile, the cost of Phillips Petroleum's oil terminal, also at Seal Sands, has risen a further £30m. to an estimated £300m.

The terminal is now receiving some 400,000 barrels of oil and liquids a day from the Ekofisk Field in the Norwegian sector of the North Sea.

But the natural gas liquids separation and treatment plants are not expected to start coming on stream before the autumn, nearly two years late.

Total completion of the project is not expected before the second half of next year.

Phillips has faced court action by Norsk Hydro, its Norwegian customer (and ironically a partner in the Ekofisk development), which contracted to take natural gas liquids for its petrochemical complex at Rafnes from the end of 1976.

According to Norsk Hydro, the two sides are now close to an out-of-court settlement of the £40m. compensation claim.

On Teesside, the mechanical construction workforce, which rose to a peak of about 14,000 towards the end of 1976, is now running at about 7,000, according to the North of England Engineering Employers Association.

Partly as a result of this reduction, the number of manhours lost in strikes reported to the association fell last year to 365,800 against 773,200 in 1976.

These totals do not include all the days and half-days lost in unofficial stoppages.

Paper consumption static

TOTAL CONSUMPTION of paper and board in the U.K. last year was 6.9m. tonnes—0.5 per cent.—higher than in 1976, according to figures released yesterday by the British Paper and Board Industry Federation.

Production was slightly lower than in 1976 at 4.08m. tonnes, but allowing for the fact that 1976 was a 53-week year, the rate of production would be 2 per cent. up on 1976.

The predominantly gloomy picture shown by the figures is reinforced by the 17 per cent. increase in stocks to a total of 214,000 tonnes. Imports increased by 2 per cent. to 3.2m. tonnes.

Woodpulp imports were reduced by 11 per cent. to 1.76m. tonnes and there was a corresponding increase of 3 per cent. in waste paper consumption to a total of 2.08m. tonnes. Waste paper stocks at mills increased by 15 per cent. to a total of 261m. tonnes.

Teacher's and Bell's whiskies to go up

BY KENNETH GOODING

THE BEST-SELLING two brands of Scotch whisky in the U.K., Bell's and Teacher's, are to go up in price next month, probably by between 17p and 20p a bottle.

Both companies confirmed last night that they had notified the Price Commission of intended increases, but would not give any details of the intended rate of increase.

However, trade sources suggested that it would be in the region of £2 a case of 12 bottles.

There is a further rumour that Bell's has had to restrict its increase to about 90p a case rather than the £2 it originally sought.

Bell's—undoubtedly the number one brand in Britain with about 22 per cent. of the market and selling 30m. bottles a year—is due to-day to give details of its half-year results to December 31.

Teacher's, now owned by Allied Breweries, has about 16 per cent. of the market and, with Bell's, has in the past established its price at roughly 10p a bottle more than the standard brands from Distillers and other rivals.

Price gap

The recent decision by Distillers to push through U.K. price increases for Dewar's, Vat 69 and Black & White, while withdrawing Johnnie Walker Red Label from the home market, completely changed the structure of the market.

If, as expected, Bell's and Teacher's steer their proposed increases through the Price Commission, they will once again open up a price gap from the main contenders further down the league table, including Haig and White Horse from Distillers and Grant's Standfast and Famous Grouse from the independent distilling groups.

● Scotch whisky consumption is likely to rise by an average 6 per cent. a year in the home market and 9 per cent. overseas, Dr. David Targett, a lecturer at the London Business School, says in a paper prepared for Tomatin Distillers.

Of the U.S., the world's biggest market for Scotch, Dr. Targett says that a small growth in consumption could be looked for rather than the decline experienced so far in the 1970s.

Exports boost sought for textile machinery

BY RHYS DAVID, TEXTILES CORRESPONDENT

SUPPORT FOR AN extension to the National Exhibition Centre in Birmingham comes to-day in the textile machinery sector working party report, published as part of the Government's industrial strategy.

The working party claims that Britain's textile machinery industry could be given a big filip if it could play host to the next quadrennial international exhibition due to be held in 1982, but the floor space in Birmingham is too small. It urges the Government to sanction the necessary increase in space at the site to make possible the holding of bigger exhibitions.

The report points to a serious decline over the past few years in Britain's share of world textile machinery markets, and a rise in penetration of the U.K. market by imports. Although the industry exported more than nine-tenths of production in 1976, its share of world exports dropped from 19 per cent. in 1963 to 13 per cent. in 1970 and to about 10 per cent. in 1974-76.

Recession

At the same time the industry's share of the U.K. market, the total value of which is estimated to have been about £133m. in 1975, was 38 per cent., compared with 52 per cent. in 1970 when total sales in the U.K. stood at £99m.

The loss of market share at home and abroad, coupled with the very severe recession in demand throughout the world, has resulted in a big reduction in the U.K. industry's total output.

Against a 1970 production index figure of 100, U.K. production of textile machinery rose to 116 in the first half of 1975, but fell back to about 50 in mid-1977.

OECD COUNTRIES' EXPORTS OF TEXTILE MACHINERY, 1970-76

	Total OECD exports Volume index	Current $m.	U.K. share Current $m.	%
1970	100	2,296	296	12.9
1971	106	2,683	344	12.8
1972	99	3,037	367	12.1
1973	117	4,136	407	9.8
1974	131	5,065	492	9.7
1975	112	5,016	531	10.6
1976*	105	5,630	552	9.8

* Provisional

The main objective laid down in the report for the industry is an improvement in export market share to the 1970 level of about 13 per cent. by 1980. Depending on the extent and speed of world market recovery, this should result, the working party claims, in an increase in output to about one quarter above 1975 levels and a halt in the decline in numbers employed.

However, the report warns that this objective can be attained only if the U.K. industry increases its exports to developing countries, which offer the fastest-growing markets—and this will be possible only if the Government adopts a flexible policy towards providing export credit and insurance.

The working party also wants to see the industry stabilise its share of the domestic market at about 40 per cent. and over the period to 1980 regain the 50 per cent. level achieved in 1970.

Textile Machinery Sector Working Party Report: NEDO, Millbank Tower, London SW1P 4QX.

Lonrho Textiles lays off 1,800 in North-East

BY OUR NEWCASTLE CORRESPONDENT

LONRHO TEXTILES is to close its factory at Cramlington, Northumberland, for two weeks—laying off 1,800 workers.

The lay-offs—from next Monday—will be followed by a month of three-day working.

The company took over the factory from Brentford Nylons 18 months ago. It said the moves were necessary because the plant was over-stocked.

When Brentford Nylons collapsed, the workforce formed a co-operative to take over the plant, but they were out-bid by the Lonrho Group.

The temporary closure was agreed with union leaders after five days of talks. The original plan was to close the factory for three weeks.

The cuts add weight to a campaign launched last month aimed at safeguarding the future of the North-East's textile industry which has lost nearly 3,000 jobs in two years.

MPs, local authorities and union leaders have joined forces to send a deputation to the Department of Trade to press for tighter controls on imports.

PM pressed on tax cuts and spending

BY IVOR OWEN, PARLIAMENTARY STAFF

CUTS IN income tax and provision for increased public expenditure will feature in next month's Budget, the Prime Minister indicated in the Commons yesterday when he again underlined the need to achieve a steady rate of economic growth.

Mrs. Margaret Thatcher, Opposition leader, was openly sceptical about the compatibility of these objectives and supported Tory backbenchers in questioning the reliability of what Mr. Wyn Roberts (C., Conway) called the Prime Minister's "11th hour conversion" to the principle of cutting taxes.

With Mrs. Barbara Castle, a member of Labour's national executive, joining other Labour backbenchers in endorsing the case for tax cuts, the Prime Minister even induced some Tory MPs to admit that they were congratulating him on the prospects ahead.

"Everyone recognises that there are going to be some tax cuts this year," he said.

Mrs. Thatcher reminded the Prime Minister of his reported comment at Monday's joint meeting of the Cabinet and the national executive that people were more interested in paying less tax than the Government giving money away in other directions.

If the Government really believed that people would prefer cuts in taxes to increases in public expenditure, why was the House to be asked to-morrow to approve a White Paper increasing public expenditure next year?

Mr. Callaghan replied that it was important, even though taxes were cut, that there should be proper maintenance of public services. If, in order to achieve this, it was necessary, for example, to increase public expenditure on the health service or on education, he hoped the Government could rely on Mrs. Thatcher's support.

"In other words," he said, "it is possible to have a balanced view on these matters."

Amid Tory cheers, Mrs Thatcher insisted: "How can you both cut taxes and increase public expenditure with production flat?"

Mr. Callaghan answered: "It does depend to a great extent on getting the economy growing again. In certain circumstances, both increases in public expenditure, for example, in the construction industry, and a reduction in direct taxation, can achieve that growth. Both will happen this year."

Mr. Peter Tapsell (C., Horncastle) claimed that the Government's plans for increasing public expenditure every year over the next four years went considerably beyond any likely increase in the gross domestic product, even on the most optimistic assumptions.

"If this is *still* Government policy, how do you reconcile it with your recent conversion to reductions in taxation?" he asked.

The Prime Minister replied that the country required increases in public expenditure which, in turn, required a consistent steady growth in the economy. This was the objective of Government policy.

When Mrs. Castle underlined the support on the Labour benches for tax reliefs in the coming Budget, she also renewed her campaign for a £1 increase in child benefit from next November. *This, she pointed* out, would require an increase in public expenditure.

Mr. Callaghan replied that this was not the only way of improving the position of families with children. This could be achieved by other kinds of tax reductions which benefited all families, whether they had children or not.

When questioned by Mr. David Steel, the Liberal leader, about his meeting last weekend with Herr Helmut Schmidt, the West German Chancellor, the Prime Minister said they had discussed a number of factors affecting growth in world trade. There was a substantial disparity of view between a number of the major industrialised nations as to the best course to follow.

Mr. Callaghan explained that he was trying to synthesise the various views, which covered the stability of exchange rates and "going for growth" in the hope of securing agreement on a combination of remedies which, taken collectively by all the nations together, could restore confidence.

"It is confidence which is required in the world at the present time."

In a statement later, Sir Geoffrey Howe, shadow Chancellor, maintained that the heavy programme of public spending on which the Government had already embarked would not leave it the resources to cut taxes for any length of time.

"Mr. Healey will make some cuts in his April Budget. But if he and his Cabinet colleagues continue to spend our money at the present rate, he will have to put taxes up again next year," said Sir Geoffrey.

Labour praised by U.S. bank

By David Freud

THE Labour Government's economic policies have been endorsed by the respected U.S. bank, Harris Trust and Savings of Chicago.

A study by the bank concluded that the U.K. made remarkable strides in 1977 to re-establish international confidence in its economy.

One of the most significant developments, said the study, was the increased attention U.K. policymakers paid to the growth rate of the money supply.

A measured pace marks start of Lords devolution marathon

BY PHILIP RAWSTORNE

THE LORDS opened their debate on the Scotland Bill yesterday with the measured pace that marks the start of a constitutional marathon. "Your Lordships can hardly be expeced to skip like spring lambs through this Bill," Lord Ferrers remarked from the Tory front bench.

There was a gasp of agreement from the assembled clans—Dundee, Perth and Glasgow, Strathclyde, Tweeddale and Kinross. Only Lord Mackie of Benshie, for the Liberals, showed any marked enthusiasm for getting on with it.

And Lord Elwyn-Jones, the Lord Chancellor, made only a restrained attempt to push the peers into brisker action. "We cannot afford to delay longer," he said, taking a stately step to the left of the Woolsack to bring in the Bill.

"The devolution debate has gone on long enough. The Scottish people have the right to expect Parliament now to come to a firm conclusion."

But getting the Bill trough was obviously more important than the time it might ake. Lord Elwyn-Jones warned: "If we deny these legitimate and reasonable demands of the people of Scotland, we run the grave risk of fuelling a campaign which, on a false prospectus, has a declared aim of breaking up the U.K."

The Government, he indicated, had done its utmost to smooth the path to bring decision-making closer to the people. "Indeed, many milestones have already been passed . . . What the Bill proposes is the next logical step," he said.

The Government did not intend to put before the Lords any proposal for changing the 40 per cent. threshold in the referendum. That would not be the sole criteria for deciding whether devolution should go ahead, the Lord Chancellor stated. "This referendum in law remains consultative and advisory to Parliament, and it is Parliament which, after the referendum, will take the final decision."

Rambling briefly through the Bill's familiar terms, Lord Elwyn-Jones finaly sent it hopefully on its way. Only to encounter stubborn resistance immediately from Lord Wilson of Langside, a former Labour Solicitor-General for Scotland.

The Bill was a threat to the unity of the Kingdom and should be stopped at once, he declared from the cross-benches. It was founded on the Government's belief that there was electoral capital to be made out of it in Scotland, Lord Wilson said. But it would bring division and disaster.

Lord Ferrers said that in the official Opposition's view, it would undoubtedly be wiser for the Government to withdraw the Bill and seek a consensus solution to the problems of devolution.

But expecting no response to that appeal—and getting none—he recognised that the Government did have a mandate for its measure and suggested that the Lords should not frustrate it.

"It would be unthinkable and constitutionally disastrous if we declined to give this Bill a second reading," he said. Neither nationalism nor the demands for devolution would fade away, even if the Bill disappeared into oblivion.

"We have a duty to perform," Lord Ferresr declared. "To scrutinise, to enquire, to illuminate and if possible to improve." And 60 undebated clauses and 13 schedules, he suggested, should offer the peers considerable scope.

Former Tory Prime Minister Lord Home, an avowed devolutionist, agreed. The Lords should try to reduce the areas of possible friction between Westminster and Edinburgh, he said. But he hinted that he would like to begin a fresh argument over proportional representation.

Election on such a system would ensure that whatever else happened in Scotland, there would be no elected dictatorship.

Howe warns on reflation bid by Western leaders

BY RUPERT CORNWELL, LOBBY STAFF

SIR GEOFFREY HOWE, shadow Chancellor, yesterday spoke out strongly against the co-ordinated international reflation programme now being worked upon to pull Western economies out of the threatened recession.

The idea—the so-called "convoy" system, whereby most major countries would do their bit to boost domestic demand simultaneously—will be the key theme of various meetings of Western leaders, culminating in the economic summit planned for Bonn in July.

But Sir Geoffrey insisted yesterday that inflation remained the biggest danger to the free world's wellbeing. "Surely we have learnt that attempts by Government to stimulate growth by deficit financing lead more and more swiftly to the retribution of inflation?"

He told the French Chamber of Commerce that it would be *dangerous to believe that* "we can somehow escape the hangover if we all go on a binge together." The West should beware of people "clamouring glibly" for a programme of internationally concerted reflation.

Sir Geoffrey and also Mr. John Nott, Tory trade spokesman, in a separate speech, left no doubt of the hard-headed approach to the EEC that the Conservatives are now adopting, aware of the electoral benefits Labour is likely to reap from its own aggressive stance.

Answering the charge of anti-Europeanism now levelled at Britain by other Community States, the shadow Chancellor stressed that the circumstances of U.K. entry made it inevitable that she would be a "less than easy" partner.

Mr. Nott, addressing a meeting at Rossendale, promised that a future Conservative Government would show the utmost vigilance in the EEC over dumping and unfair trading.

Tories see chance at by-election

By Ray Perman, Scottish Correspondent

THE CONSERVATIVES claimed yesterday that their by-election support at Garscadden, is now running ahead of the Scottish National Party.

A poll conducted by party workers, who visited every 50th voter on the electoral register, gave the Labour Party 31.2 per cent., the Conservatives 28 per cent. and the SNP 22.3 per cent.

Mr. Iain Lawson, prospective Tory candidate, said: "With figures like this before our campaign has even started, we must be in a position to win the seat."

The findings conflict with those of Marplan, the independent polling organisation, which last week put the Nationalists in the lead with 41 per cent., compared with 39 per cent. for Labour and 18 per cent. for the Tories.

The writ for the by-election is expected to be moved by the Government this week, with polling to be held on April 13, two days after the budget. The seat has been vacant since the death of Labour MP, Mr. William Small, in January.

Labour orders selection re-run

By Rupert Cornwell, Lobby Staff

LEFT-WINGERS yesterday suffered a setback in their bid to secure a candidate of their taste for the safe Labour seat at Kettering in preference to other contenders, who include Mr. Robert Maxwell, the publisher, and Mr. Tom McNally, political adviser to the Prime Minister.

Labour Party officials have decided to re-run to-morrow last Friday's meeting of the constituency party executive when a short list of six was drawn up for the vacancy left when Sir Geoffrey de Freitas resigns as MP at the next election.

At the first meeting the Left-dominated executive picked two Left-wingers, and four others considered to have little chance when the Labour candidate is finally selected on April 1.

Under the exhaustive voting system used, both Mr. Maxwell, a former MP, and Mr. McNally were eliminated from the preliminary short list of 16.

But it now appears that a technical error was made on the first ballot. After consultations between Mr. Les Bridges, Labour's East Midlands regional organiser, and Transport House, it has been decided that the laborious voting process will have to be carried out again.

The outcome is unlikely to be very different. But the breathing space gives both Mr. Maxwell and Mr. McNally extra time to marshall their supporters for the key session this Friday of Kettering's general management committee, which has to ratify the short-list.

Unlike the 17-man executive, the GMC has a moderate majority. This section may well use its power to force through changes in the short list, reinstating, if it wishes, Mr. Maxwell and Mr. McNally.

Labour's October 1974 majority at Kettering was over 11,000. This means that barring a sensational upset the local party will, on April 1, in effect, be choosing the constituency's next MP.

Among the 62 original applicants for the nomination, who failed to make even the last 16, was Mr. Ivor Richard, Britain's representative at the UN, and like Mr. Maxwell, a former Labour MP.

Business gives £1m. to arts by sponsorship

Financial Times Reporter

THE WORK of the Organisation for Business Sponsorship of the Arts was praised by Mr. Gordon Oakes, Minister of State for Education in the Commons yesterday.

He said that since the organisation was set up in 1976, with a £15,000 launching grant from the Government, it had trebled the amount of money coming to the arts from business firms.

Mr. Oakes said that in the organisation's first year to March 1977, business firms had contributed about £1m. in sponsorship. This was three times the amount received from business in the previous year.

Mr. Robin Corbett (Lab., Hemel Hempstead) urged that the Government should oppose any attempt by tobacco companies to use arts sponsorship to promote sales of their products. Mr. Oakes replied that this would be a matter for the organisation, but he had no evidence that the practice was happening.

Dublin security talks likely to be delayed

BY GILES MERRITT

THE meeting in Dublin over border security between Mr. Roy Mason, Northern Ireland Secretary and Mr. Michael O'Kennedy, the Republic's Minister for Foreign Affairs, that was scheduled for next week, is now unlikely to take place until after Easter, according to officials here.

Although the ministerial contact had been sought by Mr. Mason to iron out misunderstandings that have lately been souring Anglo-Irish relations, the talks themselves are now causing further tension.

It was revealed in Dublin today that, while Mr. Mason has now agreed to travel to Dublin to meet Mr. O'Kennedy, the agenda for the talks is disputed and remains the subject of diplomatic negotiations.

The British initiative for setting up a meeting between Mr. Mason and Mr. O'Kennedy was first made almost five weeks ago to tighten cross-border security co-operation.

After the Provisional IRA's intensified campaign in Ulster since the New Year, Mr. Mason has been concerned to further improve border security. But his recent public allegations that the Republic is being used as an operations base by the IRA have angered Mr. Jack Lynch's Fianna Fail Government.

Dublin refuses to restrict the meeting's agenda to security, and insists on wide-ranging political talks. It is pointed out that the mechanism for such ministerial contacts was established last September, when Mr. Lynch met Mr. Callaghan at Downing Street, and makes provision for economic and industrial questions to be included.

The current row over security co-operation reflects the mounting disagreement between the two governments over Ulster's long-term future, after Mr. Lynch's controversial call two months ago for a British declaration of intent to withdraw from Northern Ireland.

Mr. Lynch's demand, in the Irish Government's view, was prompted by the failure of attempts to secure an internal Ulster settlement, and Dublin therefore hopes that the forthcoming Mason-O'Kennedy talks could launch a series of Anglo-Irish summits on Ulster.

With Mr. Lynch and Mr. Callaghan due to meet in Copenhagen next month at the EEC Heads of Government summit, officials in both Belfast and Dublin agree that the imminent Dublin talks would provide a useful chance to clarify positions in advance.

At the core of the disagreement, however, there is the Irish Government's fear that Dublin would again be presented as lacking security effectiveness.

British reservations over a broader discussion are that Mr Mason would be asked to spell out detailed political intentions in the Province.

In Northern Ireland, Mr. Mason's officials are confident that an agenda extending to some degree beyond cross-border security will shortly be agreed. But in Dublin it is being stressed that a meeting next week is improbable.

The agenda would need to be discussed first by the Irish Cabinet, and that will not be meeting until next Tuesday. There would then almost certainly be a time-lag in order that Mr. Mason's arrival in Dublin should not, for security reasons, be widely known in advance.

Agency licence cost phased

Financial Times Reporter

AN INCREASE in the annual licence fee for employment agencies from £72 to £111 will be phased, Mr. Harold Walker, Employment Minister, told the Commons last night.

He said the Government had decided that the increase, due to take effect from April 1, would now be introduced in two stages so that licence fees and costs would be brought into balance at the next review.

In written replies to questions from Mr. Tom Arnold (C., Hazel Grove) Mr. Walker said operational costs of the Employment Agencies Act were estimated at £565,000 in the current financial year, compared with £375,000 in 1976-77. Receipts from the present annual fee fell well below meeting this cost.

Heath launches new study of problems facing young

BY RICHARD EVANS, LOBBY EDITOR

MR. EDWARD HEATH, the former Conservative leader, yesterday launched an all party Parliamentary lobby for youth which will seek to bring a fresh focus on questions affecting young people. Mr. Heath will be its first chairman.

The aim of the group will be to publicise and make recommendations on a wide range of problems including youth unemployment, racial discrimination and the rise of political extremism among young people.

"For the first time, the youth organisations of this country have come together and decided they want common action. We shall try to formulate a coherent policy covering the whole field of interests of young people and their concerns," Mr. Heath told a Commons Press conference.

The lobby will include representatives from major national youth organisations which have pressed for its establishment.

It has already agreed to a study of young people and politics, the education training and employment needs of young people, and the alienation of black youths.

Other members of the committee include Mr. Gerry Fowler, Labour MP for Wrekin and a former Education Minister, Mr. Alan Beith, Liberal MP for Berwick on Tweed and Mr. David Hunt, Tory MP for the Wirral. Mr. Callaghan is also giving the lobby his active support.

Stock export study ready

A REPORT on the export of live farm animals from Britain, prepared by a working group of Ministry of Agriculture officials is now complete and will be published in full within a matter of weeks.

Announcing his plans in the Commons yesterday, Mr. John Silkin, Minister of Agriculture, said the document would need careful study before any decisions were reached.

A purely factual catalogue of the main issues involved, the report does not contain any recommendations.

There is heavy pressure on the Government to impose either a total ban or stricter controls over animal exporters who are often accused of causing unnecessary suffering to stock in their charge.

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LABOUR NEWS

Sanctions to be reviewed, says teachers' chief

BY ALAN PIKE, LABOUR CORRESPONDENT

THE SANCTIONS campaign being conducted by thousands of teachers throughout the country is to be reviewed by the National Union of Teachers' executive during the union's annual conference at Easter.

This was disclosed yesterday by Mr. Fred Jarvis, general secretary, who stressed that the sanctions constituted withdrawal of voluntary co-operation and not industrial action.

He said that the union was not contemplating additional sanctions in support of its campaign for an improved pay offer.

By yesterday about 150,000 union members in 287 local associations were refusing to supervise school meals or take part in other voluntary activities. The campaign was joined this week by the second biggest teaching union, the National Association of Schoolmasters and Union of Women Teachers.

The teachers have claimed increases of 12½ per cent. and been offered 9 per cent., with an additional 1 per cent. allocated to cover incremental increases and anomalies.

Their claim will go to arbitration unless—as is possible—there is an improved offer from the local authority employers and negotiations resume.

If negotiations do resume, NUT representatives will be able only to reach provisional agreement and report back to the Easter conference.

Mr. Jarvis, speaking in London, criticised Mrs. Shirley Williams, Education Secretary, for suggesting that the teachers were mounting sanctions after asking for arbitration.

He said that the request for arbitration had come from the management side and the unions had had no option but to accept what amounted to compulsory arbitration.

The foremost objective must be the "speediest possible return" to the salary levels for teachers which were recognised as appropriate by the Houghton committee on teachers' pay, the union executive will tell conference delegates at Blackpool.

"In determining its recommendations as to proper professional levels of salary and improved career prospects, Houghton accepted the principle of comparability with other professions and comparable employments, notably the Civil Service and local government," the executive says in a report.

"It is imperative that this principle be maintained and that teachers' salaries should be kept in line with their counterparts

Security men join strike at Immingham

SECURITY men at the Humber Graving Dock and Engineering Company at Immingham have joined the strike of 27 supervisors who stopped work over the dismissal of three of their colleagues who were accused of being absent from their place of work.

The supervisors' three-week-old strike has resulted in the company laying off 700 workers.

The 12 security men have supported a TASS instruction to stop work. No discussions are going on between TASS and the company. Union officials are seeking an interview with Mr. Albert Booth, the Employment Minister.

College unions seek talks

BY OUR OWN CORRESPONDENT

SIX UNIONS representing academic and manual staffs in Scottish education colleges yesterday demanded an urgent meeting with Mr. Bruce Millan, Secretary of State for Scotland, over a planned run-down of the institutions.

In a joint letter to Mr. Millan, the unions claimed some of the colleges could be in breach of the spirit of the Employment Protection Act by asking staff members if they were interested in voluntary redundancies.

Mr. Gordon Craig, Scottish divisional officer of ASTMS, said in the letter that the unions had not been consulted at any stage of the discussions on voluntary redundancies.

He claimed that the Scottish Education Department was encouraging college managements to take decisions on manning levels "without proper regard" to consultations required with the appropriate unions.

McCarthy team to prepare report on rail dispute

BY PHILIP BASSETT, LABOUR STAFF

LORD McCARTHY, who headed an independent inquiry team into the inter-union rail dispute which came near to causing a national strike, will with the team, prepare a report on the dispute after a peace meeting with the unions yesterday.

But Mr. Sidney Weighell, general secretary of the National Union of Railwaymen, whose pay-train guards received an extra payment which train drivers are objecting to, was pessimistic after the inquiry about an agreement being reached.

Mr. Weighell, who dismissed the talks as "a waste of time" as he arrived at the meeting in British Rail's London's headquarters, said when he left that the situation was still very difficult.

"So long as we have separate organisations wanting special and preferential treatment we shall always be in difficulty, and the British public ought to understand that."

Insistent

He made it clear that he was annoyed at the time which was being spent on the dispute with ASLEF, the train drivers' union, which means that discussions on the annual pay and productivity claim by all rail workers are being delayed.

The dispute stems from ASLEF's insistence that payments to pay-train guards, which would range from £2.50 to £5.75 a week, are in breach of a 1974 pay structuring agreement.

Mr. Ray Buckton, general secretary of ASLEF, says that the train drivers should receive the payments because there was a firm commitment from all sides that there would be no unilateral pay deals between the British Railways Board and individual groups of rail workers.

As he left the talks, Mr. Buckton said it had been "a pretty good meeting."

Further talks on the main rail pay and productivity claims which were set for to-morrow, have been postponed, possibly until next week, because of the dispute.

Machine tool nationalisation call

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

WHOLESALE nationalisation could solve the problems of the U.K. machine tool industry, suggests a trade union pamphlet published to-day.

North Sea oil revenue could be used to buy the companies involved but "since profits in the U.K. machine tool industry are generally low or non-existent, there should be no repeat of the excessively generous compensation payments" made in other nationalisation cases.

The pamphlet is put out by the North East Trade Union Studies Information Unit. The report was commissioned by the Joint Shop Stewards Committee of TI Churchill, Blaydon-on-Tyne.

It insists that full-scale nationalisation would allow a proper system of manpower planning to be developed.

British Leyland, a major user of machine tools, is already State-owned. If the State also owned the machine tool industry "there would be considerable scope for centralised and co-ordinated planning of machine tool purchases and a steady ordering programme which would greatly reduce the insecurity of the boom/slump cycle," the report adds.

"A steady ordering programme known in advance would allow larger production runs and, consequently, a reduction in unit costs of machines, with advantage for both sectors of industry."

The nationalisation of the aerospace and shipbuilding industries means that a large share of mechanical engineering is in the hands of the Government.

"If the machine tool industry was also nationalised then there would be considerable potential for large-scale planning arrangements and the benefits to industry as a whole, its workers and the national economy would be immense."

The pamphlet argues that the 1970s are likely to prove some of the most testing years for the survival of the industry "as the private owners of machine tool companies strive to restructure their operations to provide maximum profit at the expense of those who work in the industry."

It says that only determined and united action of the trade union movement will prevent this happening.

The next recession is probably due in 1979-80, it is suggested. Increasingly severe competition for the world market, coupled with the rapid rate of technological change and the increase in robot-fed, computer-controlled machines "paints a worrying picture for jobs within the industry."

The pamphlet warns against the increasing interest of private machine tool companies in importing and assembling under licence foreign machines or in simply serving as retailers for such imports. It says this "may well be highly profitable for shareholders but in the long run will leave the U.K. machine tool industry dangerously weak in terms of its own productive capacity."

The report maintains that there is an urgent need for much greater experimental research and development.

Machine Tool Report, N.E. Trade Union Studies Information Unit. £1.50.

Dolomite dispute ending

BY PHILIP BASSETT

PRODUCTION of the Triumph Dolomite is expected to be back to normal to-morrow after haulage drivers who move the car's body shells from Liverpool to Coventry went back to work yesterday at the end of their four-day strike.

Four hundred shift workers at the British Leyland Speke No. 1 plant which makes the car bodies will be back at work by to-morrow. The 2,400 workers at the Canley plant, where the car is assembled, who were laid off because of the strike will be brought in progressively as stocks mount.

The haulage drivers, employed by the Liverpool firm William Harper, were in dispute over a pay claim which has been settled after two days of meetings in Liverpool.

● Merseyside MPs protesting about the proposed closure of the Triumph TR7 plant at Speke, Liverpool, meet Mr. Michael Edwardes, British Leyland chairman, this morning.

Engineering pay pact meeting to-morrow

By Our Labour Correspondent

ENGINEERING UNIONS and employers meet Mr. Albert Booth, Employment Secretary, to-morrow to seek Government approval for the industry's new national pay agreement.

Mr. Booth will be asked to approve a clause which would enable a minority of lower-paid engineering workers to receive increases outside either the 12-month rule or the Government's pay guidelines.

The Engineering Employers Federation has said it is prepared to bring workers earning below the newly-agreed national rates into line with them as soon as they come into effect, provided Mr. Booth agrees.

But it will not do so without Government approval as this would expose member-companies to the risk of sanctions.

The new minimum rates will be introduced in two stages, the first this month and the second in August.

In the view of the Confederation of Shipbuilding and Engineering Unions it would not break pay policy to bring lower-paid engineering workers up to the agreed minimum level for the industry.

If Mr. Booth rejects the unions' argument, they can be expected to take action against companies paying below the new rates under Schedule 11 of the Employment Protection Act.

Neither the Confederation nor the federation is sure exactly how many engineering workers earn below the new minimum rates, which for craftsmen will be £57 this month and £60 in August.

Women should help unions to win equal pay, says Scanlon

MR. HUGH SCANLON, president of the Amalgamated Union of Engineering Workers, urged women yesterday to play a greater role in trade unionism to achieve equal pay.

He said that in spite of the Equal Pay Act, earnings of

Mr. Hugh Scanlon: collective strength to enforce legislation.

women manual workers in the mechanical engineering industry had risen from only 62.4 per cent. of men's earnings in 1975 to 67.1 per cent. last year. "The message is therefore clear: to make legislation effective, it is up to collective strength to enforce it.

"It is vital that women play a greater part in trade union activities in order that all women can achieve the rate for the job," he said.

Mr. Scanlon said at his union's annual women's conference, at Eastbourne, that the 1970s had seen important changes in the status of women.

For the first time women could claim the right to equal pay, the equal right to any job, job protection during pregnancy and, from April, better pensions and social security benefits. But he stressed that legislation alone would not bring about true equality.

"Trade unions must consistently and conscientiously police legislation to ensure that in every place of work, laws are actually implemented, not merely left on the statute books."

Mr. Scanlon said that only about 30 per cent. of cases under the Equal Pay Act heard by Industrial Tribunals were successful.

"The women at Trico gave a tremendous example in their 21 weeks' struggle for equal pay, and their success demonstrates that if the collective will is there then many goals are attainable.

"Unfortunately, many working women have multiple commitments of job, home, children, ageing parents etc., and as a society we have done little to ease her burden.

"Small wonder then that many women find it literally impossible to take on the additional role of trade union activist.

"As a progressive union, we must endeavour to lessen the pressure placed on working women by identifying the key institutional and social forces which prevent many women becoming involved, and seek to change them," he said.

TUC plea to South Africans

BY OUR LABOUR STAFF

MR. LEN MURRAY, TUC general secretary, led a delegation to the South African Embassy in London yesterday to protest about the treatment of black trade unionists in South Africa.

Mr. Murray presented the Ambassador with a TUC memorandum on British participation in this week's International Trade Union Week of Action on South Africa.

The TUC called on the South African Government to abandon the use of administrative sanctions against trade unionists and to lift the banning orders and detentions imposed without charge or trial.

It said it hoped that the setting up of a commission of inquiry into South African labour laws represented the beginning of a change in the climate of opinion which has not favoured trade unions for black workers.

It hoped that the inquiry would recommend a more open system of industrial relations which would provide freedom of association and freedom to bargain collectively.

The TUC told the Ambassador that the general council was providing financial help to unregistered trade unions in South Africa to help them train and organise members to gain recognition by employers.

The TUC also called on the many British companies employing workers in South Africa to support the granting of access and facilities, and ultimately recognition and negotiating rights to trade unions representing black employees.

British trade unionists have also been asked to get their employers to commit themselves to more enlightened industrial relations policies in South Africa.

Mr. Murray said afterwards that when the Ambassador told them there was a commission of inquiry on at the moment the delegation told him: "'By your fruits you will be judged'."

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● TRANSPORT

Busways could solve city congestion

MANY NOVEL ideas on how to make the best use of existing transport systems and on better methods of providing large-scale transport in crowded cities have come out of Germany in the past several years. The latest one to emerge is the subject of a lengthy and highly detailed study by Daimler-Benz which makes the Mercedes cars.

Taking as axiomatic that buses—which in Germany have some 50 per cent. of the mass transit market—will continue to be the basic element of any universal transport system, the report suggests buses could easily be made to follow a new role, that is as the units for use on O-Bahns or "busways."

This would require them to follow specialised guidance systems, one effect of which would be to cause them to take up less road space than when manually steered. They could fit into smaller tunnels or have their own special track alongside or above the road. But, at the same time, they would be available for conventional roles and this would permit the cost of installation of guidance and any specialised trackways to be spread over long periods.

It is quite clear that in most city centres in Britain, for instance, bus timetables are virtually impossible to maintain, especially during the morning, lunchtime and evening rushes. The problem is so difficult that only a solution along radical lines such as those suggested by the Daimler-Benz engineers offers any real hope of solving the congestion muddle.

Mercedes engineers have developed three types of guidance. Two of these would allow the vehicle to be steered manually as well as automatically. The third system is for a completely guideway slaved bus and would be employed where traffic was very heavy, demanding long guided sections or long bus trains.

Under electronic guidance, the sensor equipment on the bus would follow a buried cable under the road. Deviations from course would affect sensitive antennae and cause the required steering corrections to be made immediately, through a microprocessor controlled hydraulic arrangement.

Guidance in the manual system is through solid rubber rollers running between two rails, the rollers being attached to the stub axles of the front wheels.

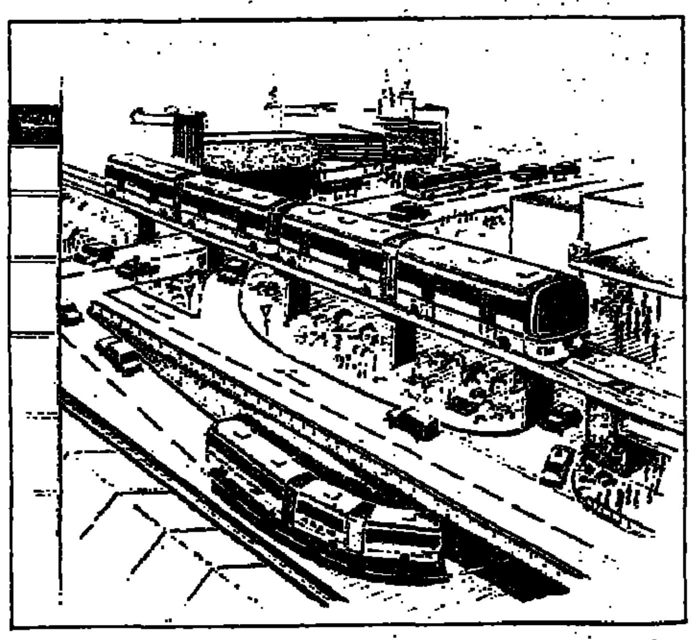
Both systems have been extensively tested and both are understood to show excellent ride characteristics up to the top speed of the bus and the ride is generally insensitive to irregularities in the guideway. Manual to automatic changeover, even at high speed, poses no problems.

Where extensive guided sections are required, the bus design would be so changed so that the rear axle is allowed a certain amount of swing in the guidance channels.

The design team has made a study of the extra civil engineering required to provide special lateral or elevated trackways and has concluded that these could be economically attractive because of the high degree of prefabrication possible and the relatively narrow section of the track.

An artist's impression of the guided bus service in a crowded city centre looks very like the Minitram or Cabtrack ideas pursued for some years by the Department of the Environment with a number of U.K. companies including GEC and Hawker Siddeley but now left in abeyance for reasons which city travellers will find it hard to understand.

Further information on the Daimler-Benz projections from Mercedes-Benz (U.K.), Great West Road, Brentford, Middlesex TW8 9AH. 01 560 2151.



This artist's impression shows how the guided bus system would be integrated into densely populated city centres, ensuring close cover of major routes and reducing the need for personal transport.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● COMMUNICATIONS

Space saver document conveyor

DOCUMOTION, recently formed division of Hytrac Conveyors, has a document handling system which provides a point-to-point service over any number of floors, while occupying the least amount of space. The design also keeps maintenance requirements to a minimum and allows easy adaptation to suit different surroundings or decor.

Network 45/11 uses a paternoster inter-floor elevator arrangement in conjunction with belt conveyors for horizontal distribution. Transfer of document containers from the vertical to horizontal runs, and vice-versa, is completely automatic. There can be any number of "send" or "receive" stations, and a queuing facility is incorporated.

The actual document containers measure 450 mm. long by 110 mm. wide and 300 mm. high, and each has its own simple destination programmer. The containers are made in tough impact-resistant polyethylene and are available in a number of colours to fit in with coding systems. Maximum pay load is 7 kg. Since the containers remain upright at all times, there is no risk of damage to contents.

Containers are despatched simply by selecting the destination and placing them on the conveyor track, so there is no waiting time. Also, because of the queuing facility, it is not necessary to collect a container immediately.

Conveyors operate at a speed of between 0.5 metres/second and 1 metres/second, and elevators at 0.3 metres/second. Consistent with international safety standards, all control wiring is 24 volts d.c. Fire doors, operated by fuseable links and/or smoke detectors, are fitted at each elevator floor station. Additional fire protection to suit local requirements can also be incorporated.

Hytrac Conveyors, Turmaston Boulevard, Barkby Road, Leicester. 0533 765-221.

Easy on the operator

CLOSING fast on Racal, Plessey and Philips, all of whom have launched similar products in the last year, Redifon has brought its R1000 synthesised communications receiver to what is now becoming a highly competitive market place.

The receiver, which has a starting price in the £5,000 region, is available in several versions to cover general purpose land-based, marine, naval, monitoring and remote control applications.

A single rotary control tunes the entire 15 kHz to 30 MHz band at fast (600 kHz/rev) or slow (600 Hz/rev) rates, the frequency appearing on a seven-digit yellow LED display which increments in 10 Hz steps. There are no "mechanical" moving parts—the tuning knob is coupled to an optical shaft encoder. Setting accuracy is claimed to be within 2 Hz of the indicated frequency.

Like the competitive instruments, the R1000 has a memory, but a rather larger one—it is able to store the frequency, service type and bandwidth of up to 19 chanels. These can then be recalled as needed by pressing two or three buttons. Alternatively the receiver can be made to scan through the 19, the dwell time being adjustable from 0.1 to 15 seconds.

Service selection — upper, lower, or independent sideband working, and the choice of continuous-wave of amplitude modulation are all made by illuminating push-button, as are the five choices of bandwidth between 0.3 and 8 kHz. Audio and radio frequency gain and beat oscillator frequency are all rotary controls.

Using a control unit and a special version of the receiver, up to 16 unattended receiving stations can be controlled from a central point which can be any distance away. Thus the receiving locations themselves can be in areas of minimum interference while the control point might be in the organisation's headquarters building in a town or city.

There is also provision for computer interfacing: the processor can be programmed to carry out complete repetitive monitoring schedules on a large number of receivers—with great reduction in operator fatigue and improved efficiency.

The new receivers are now in production at the company's southwest London factory and will become available in June.

More from Broomhill Road, London, SW18 4JQ (01-874 7281).

● ENERGY

Fiat's power cube

FIAT SPA, has begun sales of a high-efficiency energy converter based on a standard car engine, and expects that the device could contribute up to 3 per cent. of the group's consolidated sales by 1982.

The device, called Totem (total energy module), is fuelled by natural gas (methane), which it uses with an efficiency of more than 90 per cent. Few fuelled machines exceed a rate of 50 per cent.

The manager of the Totem project, Flavio Dal Bo, indicates that over 20 Totems have been sold, all for export to France and Switzerland, as the Italian state electricity board has not yet permitted installation in Italy.

Fiat expects to produce and sell 500 of the units in 1978, and reach 50,000 by 1982. At a current price of 3m. lire per unit, this latter figure would give an indicated share of group consolidated sales of 3 per cent.

Totem, packaged in a cube about a metre on a side, employs a standard Fiat model 127 engine with 903 cc capacity producing 16.5kW when running on petrol.

When methane is used, about 6 cubic metres an hour are required, having a heat content of 50,000 kilocalories an hour. The machine produces 33,000 kilocalories an hour and 15 kW of electrical energy, the heat being delivered to hot water.

Heat loss is less than 300 kilocalories an hour or under 1 per cent. Efficiency is thus never less than 90 per cent. and can reach 93 per cent.

One of the most interesting applications is in rural areas, where the units can be fuelled by biogas. This is methane that is released during the natural decomposition of manure and farm wastes. It can be collected in a capped drum.

When fed by biogas, the equipment needs about 8 cubic metres an hour. Biogas is already being widely used in Eastern Europe, Brazil, India and Nepal, but generally for household cooking.

Servicing the machinery would be simple in rural areas, because after every 10,000 hours of use the motor is simply replaced, to be reconditioned in due course by mechanics experienced in auto repair.

The United Nations Food and Agriculture Organisation in Rome is co-operating with Fiat in examining possible applications in third world countries.

● WELDING

Lays down more metal

LATEST HOT wire submerged arc equipment package from Union Carbide will be shown *for the first time in the U.K.* at the Welding Engineering exhibition (Harrogate, May 8-12). Designated UWM8, the unit is electronically controlled. The hot wire system, developed by Union Carbide, allows an increase in weld metal deposition rates by as much as 100 per cent., halving joint production time, with only a 10 to 20 per cent. increase in heat input.

It has been found that the hot wire technique can be used to make joints in high tensile steel, such as HY80, up to 1½ inches thick, without having to stop between runs to let the metal cool.

The new equipment uses an 800 A continuous rating power supply, and a side beam carriage which operates on multiples of 10 ft. track. Maximum solid wire diameter is 3/16 inch.

With the hot wire technique, a second 1.6mm diameter wire carrying a low voltage (8-12V) 500 A ac current is fed into the weld pool. Resistance heating raises the temperature of this wire almost to melting point as it enters the pool, keeping additional heat input to the parent material to a minimum.

More from Union Carbide Welding Products Division, Grange Mill Lane, Wincobank, Sheffield (0709 79161).

● HANDLING

Harrods warehouse plan

COMPUTER Analysts and Programmers has a House of Fraser contract to assist Fraser computer staff in the analysis, design and implementation of a warehousing system for Wylie and Company, a subsidiary of Harrods, which provides warehousing services to the House of Fraser group of stores.

The system will service the main warehouse at Heston. The Bath and Manchester warehouses controlled by Wylie's will be able to use the main system by means of remote dial-up facilities, with VDU's and slow printers locally. The MICOS controller is built around a NOVA-3 central processing unit, supporting inter-active development using BASIC as the programming language.

An innovation for House of Fraser is the use of pre-printed mark-sense tickets on sales tags. These tickets will be detached at the point of sale, returned to the warehouse and read by a Datatag reader, marketed in the U.K. by Data Recognition.

The information gathered by these tickets will be used as the basis for a one-for-one stock replacement system, and as the basis for determining and maintaining an "ideal" stock level at stores. Additionally, stores will be able to order goods from the warehouse on order forms, or may telephone orders to a receiving merchandiser at Wylie's for submission to the computer system.

More from CAP on 01-242 0021.

The Management Page

EDITED BY CHRISTOPHER LORENZ

Flying Scotsmen set the pace for Europe's innovators

Christopher Lorenz describes the growing pains of an innovative British electronics company, which has been transformed from a minor appendage into one of the key elements of a leading U.S. group.

Alan Strath (left) and Dr. Stephen Forte—their company has become a by-word for U.S. style flair.

TEN YEARS ago, three electronics engineers decided to set up their own business. They were tired of continued machinations about reorganisation of the British electronics industry, and the way potentially lucrative innovations were being neglected.

Like all budding entrepreneurs, they did the rounds of the government agencies and banks. Some sort of bank finance already appeared to be in the offing when they heard that an American company, General Instrument, was looking for an electronics base in Britain, in order to secure better access to the market here. Within a few weeks, and after very few formalities, they had secured over £500,000 worth of backing from GI, a small stake each in the capital, and—most important—an understanding that they would be in charge of a fully integrated operation, with design, complete manufacture and testing (a major part of the added-value process in electronics) all being carried out in Britain.

Their first "factory" was a council house in the new town of Glenrothes, Fife, where they had all worked for Elliott-Automation (part of the large GEC-Marconi empire since the industry's upheavals in the late 1960s).

Since they moved into their first proper plant nine months later, the company they founded has become a by-word in European electronics for innovation and flair of the type normally confined to the "electronics belts" of California and Texas. It has also won acclaim as a shining example of high-quality U.S. investment in Europe. With its "vertically integrated" operations—ranging from research and development upwards through product design to complete manufacture—it is one of the few U.S. electronics subsidiaries in Scotland to be very much more than an assembly operation. Unlike the majority, its turnover has a high added value content, and it employs a relatively large number of highly-skilled engineers.

Moving with a speed and readiness to take risks which no established European company in the field has dared to match, the team has built up a commanding lead in certain specialised micro-circuit technologies and markets, ranging from consumer products (TV tuners and games) to capital equipment (telecommunications).

Over the last five years, in spite of the steady fall in product prices which is common throughout the electronics industry, the company's turnover has multiplied sevenfold, to about £15m., at least 75 per cent. of which are products designed in Glenrothes; all but about 15 per cent. is exported. And it claims the unusual achievement, for the microelectronics industry, of being profitable ever since 1970, through the last two recessions.

In the process, the Glenrothes company—known as GI Microelectronics, and now employing about 450 people—has become a centre of attraction for highly-qualified Scottish engineers, many of these engaged on development, and some on research. The company is now a regular source of new product designs for its U.S. parent. But Glenrothes' success has inevitably transformed it from a minor and somewhat experimental appendage into a major and integral part of the U.S. group.

With this development has come tighter management control from across the Atlantic, and the worry for some of the Scots that this could blunt their ability to exploit their technical innovations with the necessary speed.

Several of their initially risky—but eventually successful—recent designs might never have got beyond the drawing board if the parent company had been fully aware of what was afoot; the most extreme example of this sort of "bootlegging," to quote a GI manager, is the microcircuit which in 1976 launched a worldwide boom in TV games. There is a surviving fear in the minds of some people at Glenrothes that the parent could still eventually turn it into a typical "offshore" American electronics operation, no more than a glorified assembly shop.

In spite of all these concerns, few of GI's British employees have much doubt that they have fared better than they would have on their own, or as part of an existing European group. Alan Strath, the sole survivor at Glenrothes of the original three-man team and now joint managing director, says they accepted the U.S. offer of support in 1968 because "it was the easy way out." But he goes on to stress that it was extremely lucky for them that they did, in view of GI's unusual combination of sophisticated financial controls, and readiness to support possible product failures in the quest for new markets. Strath doubts whether the banks would have stayed with his team through thick and thin: "they dislike the slightest hiccough," he says.

Compared with any of the European groups which might have provided backing, Strath says GI was also attractive because of its short lines of management communication. Even now, though officially responsible to an American based in Europe, Dr. Stephen Forte, the other joint head of GI's British subsidiary—who is also in charge of European and Middle East markets—reports directly to the U.S. company's microelectronics chief on major issues.

Strath recalls that the small Glenrothes team had a three-year period of extraordinary freedom in the initial stages, submitting little more than monthly reports and an annual business plan. Even when, after 18 months, the ambitious target of 50 per cent. pre-tax profit margins was missed, there was no clampdown.

Gradually, however, the parent-subsidiary relationship has undergone a change in character. From a small operation producing only tailor-made designs for individual customers, Glenrothes has shifted to a limited number of high-volume standard products, in order to spread development costs and improve its growth potential — always restricting itself to the same type of technology. This is a strategy which other British-based electronics companies might well have adopted, in place of their periodic—and largely unsuccessful—shifts from one technology to another.

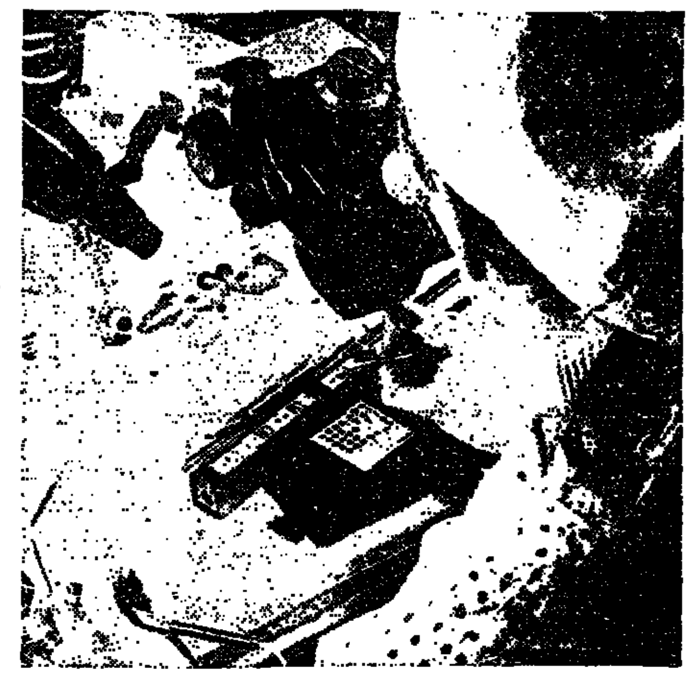
This change to high-volume products made it more sensible for Glenrothes to be fully integrated into GI's microelectronics division. Moreover, as the subsidiary grew, so did the attendant financial risks. In addition, duplication of effort across the Atlantic on design, development and production would have become increasingly wasteful. The ever-rising cost of new product development and capital investment imposed still more pressure for each new investment to be geared to worldwide, rather than local markets—and this meant decisions had to be taken on a global basis, with the parent company very much involved.

For the last four years or so, monitoring has been stepped up. There are monthly (instead of weekly) meetings for product managers of each of the five product lines in which Glenrothes is involved and a management group meets at least quarterly to co-ordinate all five.

It is these meetings, supplemented by person-to-person contacts, that decide which of the new design ideas are worth following through. There can be few industries where new product decisions have to be taken as frequently as in electronics, the pace of innovation is so fast.

When the joint managing director of the British subsidiary, Dr. Stephen Forte, first proposed the development and manufacture of a single-circuit, low-priced brain for television games in 1975, he found his American colleagues highly sceptical whether the project would ever be a commercial success.

After pursuing the technical development on a "bootlegging" basis for some time, Forte found a European customer in the TV industry who was prepared to fund the next stage. Even then, he says, he had to "fight" to get the U.S. parent to agree to it.



Chip mounting at General Instrument's Glenrothes subsidiary.

Once agreement was finally secured, however, the TV games circuit was a whirlwind success; eight million of them were shipped by GI's U.S. and Scottish factories in the first full year of production. Only a year before, the entire sale of finished TV games, by all manufacturers, had been only about 300,000. This success has naturally boosted the reputation of the British team's judgment in other parts of GI. Three years later, Dr. Forte can still claim that "to date, no one at GI has ever stopped me doing something I really believed in."

Within the integrated GI structure, Glenrothes has since ceded the leadership on TV game circuits to the U.S. parent, for several reasons. Not only has the largest market been in the U.S., but the Scottish team was already heavily committed to making circuits for TV tuning and telecommunications products. These could have been swamped by the massive operation necessary to meet demand for TV games, and Glenrothes would have risked losing its diversified product base, and being transformed into "the one-product beancrunching outfit we don't want to become," to quote Alan Strath.

Strath no longer holds his equity stake—he was bought out by GI in 1973, when he feared that the unwanted transformation might soon occur. By then the other two founders had left, so Glenrothes' recent progress cannot be attributed to the sort of personal financial incentive which is often held up as the motive force behind American electronics companies.

The main causes of GI's British success, Strath considers, are the subsidiary's independent spirit, the stability of its team (with Forte at its head since 1970), and American planning and financial discipline.

Reward survey

The table on salary levels published last Wednesday gave the median salary for accountants as £3,500. The correct figure should have been £4,500.

Bumpy ride toward Euro-car standards

ABOUT a year ago, a number of car importers to Britain could be heard complaining vociferously about a new "Type Approval" document issued by the British Government. Their objection was that the regulations it embraced, which established a number of basic standards for all cars sold in the market, were creating a whole new set of non-tariff barriers. The rules were becoming so complex, they argued, that they would find it difficult to meet them.

The importers, however, conveniently forgot two facts. First, until that date, Britain was the only major European country to run a car-manufacturing industry without type approval to testing. Up to that time it had relied mainly upon the discipline of the common law and the courts to control vehicle manufacturers. Second, Britain, as a signatory of the Treaty of Rome, was obliged to bring in new testing methods in the interests of liberating trade, not stifling it.

The idea behind the type approval testing system is to establish a number of basic procedures which every Common Market country must follow. Vehicles then tested satisfactorily in one country must be admitted to any other part of the EEC without having to retake tests locally. Once the system is operating smoothly, it should mean an unrestricted flow of vehicles between all the countries within the Community.

This ideal is, of course, still some time away—almost certainly two years in the view of some experts, and probably more. In the case of commercial vehicles it is even further off; but there again, the officials involved believe that the ball has been set rolling effectively in the right direction.

The main bar to complete harmonisation at present lies in the fact that the directives issued by Brussels have not been completed, leaving national type approval systems to fill the gap. Standards have been established to cover external projections (there should not be any), internal protection (there should be plenty of padding push-botton controls, collapsible steering wheels, well-anchored seat belts), and the height and strength of lights. But arguments continue, for example, on the question of safety glass, mudguards and heaters.

Antagonism

In the commercial vehicle field, the bureaucrats have also progressed swiftly in certain areas. Brake systems are now harmonised, along with standards for noise and emissions. But an enormous stumbling block has been encountered on the tricky subject of vehicle weights and dimensions. Virtually every country in Europe operates at present to different standards in this field, and each of them has so far shown a deep-seated antagonism to change.

Part of the reason for this intransigence over commercial vehicle standards is that once alterations are accepted they will bring an instant and far-reaching change in the way the industry is run in Europe. Until now, commercial vehicle markets have remained well protected. The Germans hold 85 per cent. of their home market, the French and Italians between 70 and 90 per cent. of theirs, and the British about 80 per cent.

Each country has established standards around which its own vehicle industry has developed, and which other manufacturers can rarely meet without some adaptation of their models. For example, the big Ford Transcontinental truck, launched three years ago, and designed particularly for the Continental markets which favour heavier-weight vehicles, has not really caught on in the U.K.

When weights and dimensions are standardised, it will open the way to considerable rationalisation and streamlining of the industry. Manufacturers will be able to design common trucks for the whole of Europe. Different specifications will be designed for marketing reasons or to cope with local driving conditions rather than to comply with Government regulations.

Meanwhile, of course, a number of anomalies remain, both for commercial vehicles and cars. In this sense, type approval regulations do act as non-tariff barriers to some degree, because the individual countries can establish standards of their own where they are not covered by an EEC directive. The final objective is to have directives from Brussels covering the whole of the industry. When that is achieved no country will be able to keep out cars which have passed the test—although they may choose to keep their own national systems.

Because of the anomalies which remain, the impact of the Brussels directives on the industry has so far been fairly marginal. But changes are already apparent. The Chrysler Horizon, for example, which has just been launched in France, was specifically designed to meet all the requirements on external and internal safety; the external mirrors on car doors which are becoming increasingly common reflect another EEC directive; more and more cars are being manufactured with dual circuit braking systems; and rear seat belts will soon be necessary as well.

In the long run, officials believe that the new system will allow manufacturers to simplify their tooling, and particularly to save on the inventory costs of carrying a number of different parts for different markets. They expect to see the interflow of components, cars and commercial vehicles increase as time goes on; and the harmonisation of test procedures should make it easier to achieve the manufacturing rationalisations which many European companies believe to be necessary. In this respect, at least, Europe seems to be moving closer to the concept of a true common market.

Terry Dodsworth

BUSINESS PROBLEM

BY OUR LEGAL STAFF

An office and CGT

I have an agency business which I run from my house, onto which in 1975 I built an extension costing £4,000. The extension consists of my office, with a bedroom above. Could I charge half this expenditure against agency costs? If I do, what proportion would rank for capital gains tax, if I sold the house at a profit?

No part of the building costs is eligible for tax relief.

If the office "is used exclusively for the purposes of a trade or business or of a profession or vocation," you will face a capital gains tax liability when the house is sold. It is not possible to say what the figure would be; it depends on the facts. The phrase in quotation marks is taken from section 29 (4) of the Finance Act 1965, and the important word is "exclusively": if in fact you do not use the office *exclusively* for business purposes, then you may well find that you have no capital gains tax to pay.

If you have not already done so, we suggest that you ask your tax office for a copy of the free booklet IR28 (Starting in Business).

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No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

The organisation with £40m. to invest in new ventures

BY DAVID FISHLOCK, SCIENCE EDITOR

A TOUCH of hysteria, says Steven Dollond, has crept into the Government's manifold discussions about employment and the importance of creating new businesses. Whitehall is in the grip of a malady Dollond calls "analysis paralysis," brought on by wrestling with the implications of a shrinking workforce for labour-intensive industries such as steel and telecommunications, and the dire consequences of not allowing employment in these industries to shrink quickly.

Mr. Dollond is marketing director of the National Research Development Corporation, which to-day has released its evidence to the Wilson Committee reviewing the functioning of financial institutions. *The NRDC is a bank born of a* recommendation by the wartime government's steering committee on post-war employment, that government cash should be made available "for the initial development and testing of new inventions." Its midwife was none other than Sir Harold Wilson himself, as President of the Board of Trade in 1948.

At first glance the evidence to the Wilson Committee indicates that the agency has been a success. It is easy to find inventors who complain bitterly that the NRDC has turned down their brainchild, or offered them help on terms they considered avaricious or unnecessarily interfering. But the agency claims that it has helped to generate new industrial production worth £600m. over the past ten years, while itself showing a steadily growing profit, rising to more than £10m. last year.

The fact is, however, the NRDC itself wants to do more business. This year, says Dollond, it will be investing between £5m.-£6m. (compared with £4.4m. last year). He is looking for at least twice this investment; while Mr. Bill Makinson, his managing director, is talking of three, even four times as much. The cash is certainly available—the statutory capacity for further expansion, after allowing for outstanding commitments, is more than £40m.

The question is how? For the past couple of years the NRDC has been advertising its financial services to investors, entrepreneurs, industrial ventures; almost flaunting the fact that it has public cash to invest in their riskier schemes. These are precisely the people and ventures to which the Government's industrial strategy is looking for the regeneration of a British industry top heavy with people and outmoded manufacturing practice.

Steven Dollond, 33, joined NRDC last September from a business career which included the stockbrokers Simon and Coates, two years in Mr. Edward Heath's private office, Harvard, and five years with business consultants Arthur D. Little on product marketing strategy. His big project for the business consultants was a study for the Anglo-German Foundation, on the problems of what he called the "new *technology-based firm*" (NTBF). This is the kind of company, which has formed the "leading edge" of industrial dynamism in the U.S.

Taxation

Dollond's study, published in 1976, showed only too clearly that, although Britain is well endowed with institutions—private as well as public—able and willing to provide venture capital to these entrepreneurs, social attitudes, the structure of taxation, and other factors in Britain prove pretty discouraging.

Yet last year Dollond joined NRDC in response to its advertisement for its first-ever marketing manager. But what can he hope to contribute in an environment with apparently almost insuperable obstacles for the NTBF?

He believes that, in spite of NRDC's recent promotion activities, a central problem remains that its customers are simply not aware what NRDC has to offer. Dollond believes that to market financial services successfully there must be "more push than pull" in the strategy. The "push" of his strategy will be a much greater effort than NRDC has made in the past to make personal contact with the entrepreneurs it might help.

Of the various types of small business that can be categorised the NTBF probably accounts for only about 5 per cent. But of these NRDC by definition deals exclusively with the 5 per cent.

The NTBF has all the problems of the other types of small business—and a few more of its own. And it is these which tend to frighten off more conventional sources of finance. Foremost is the "technological risk," the often unquantifiable factor which, for the banker who has previously burnt his fingers, means that it may well take a couple of years more of heavy "negative cash flow" to overcome some obstacle the inventor failed to mention in the first place, and the banker never understood anyway. The sponsor must be prepared to carry this risk, and its concomitants, the inevitably longer timescale and heavier drain on cash before the new technology is successfully in production.

The NRDC accepts all this from the outset. It accepts as normal a timescale of ten years for its investments. It has 45 technical staff and another 15 patent experts—"a resource no other source of finance has available," claims Dollond.

The strength of NRDC lies partly in the span of its investment portfolio, spread as it is in three equal parts over ventures in three different industrial sectors.

The agency's strength also lies in the financial resources built up as a result of meticulous attention over three decades to the patenting and licensing side of its activities. A powerful influence in its formative years was the way the British discovery of penicillin "escaped," to be exploited very profitably overseas. The lessons were applied to research at the University of Oxford which led to the development of a new family of antibiotics called the cephalosporins.

Royalties

According to the evidence NRDC has given the Wilson Committee, annual world sales of the cephalosporins exceeds £600m. Cumulative sales based on U.K. manufacture by Glaxo exceed £275m., of which 95 per cent. represents exports. The agency itself has earned more than £50m. in royalties. The drugs have been one of the largest royalty earners ever to come from university research. Furthermore, the dons who did the research have themselves "benefited substantially" through revenue-sharing arrangements and awards.

The antibiotic bonanza is nearly over: although one or more of the basic patents will survive in major markets such as the U.S. until 1982. But the agency had more recent sucess stories to offer the Wilson Committee, each illustrating a different formula for financial and other assistance. With Pilkington Brothers it staked £750,000 in a joint venture in 1969 to develop Cem-Fil, a glass-fibre reinforcement for cement, invented at the Building Research Station. Last year Pilkington's new production unit at Wrexham sold over 1,000 tonnes of Cem-Fil to the construction industry.

As an example of a successful NTBF, it reported the story of Mr. R. J. Hicks, a project engineer with a Midlands gear-making company, who invented *a better kind of epicyclic gear*, smaller yet more tolerant of manufacturing errors and therefore cheaper to make. The financial package put together to launch this entrepreneur had four components: £1,000 of personal cash, a bank overdraft of £5,000, and ICFC loan of £15,000 for capital outlay—and another £11,000 from NRDC to cover the "technological risk" of development costs. Compact Orbital Gears developed into a profitable venture employing over 100 in a new factory in mid-Wales. But that was back in the 1960s.

Steven Dollond waxes enthusiastic over the unique flexibility of NRDC's financial arrangements — "we'll often provide when the banks stop for lack of security." He cites as another example its "recirculating loans," where the agency advances cash — unsecured — against an order to help the NTBF meet its manufacturing cost, and is repaid only when the customer pays for his order.

When Whitehall recovers from its present "analysis paralysis" all the studies initiated by the Department of Industry, the National Enterprise Board, the Cabinet Office "think-tank" and its new Working Parties, and others may afford some genuine relief to small businesses and particularly the NTBF as part of Britain's industrial strategy. Something more is required than the bland assumption that, however hostile the environment, we shall never discourage the true entrepreneur. Far more of them have got to be encouraged to develop their new companies much faster.

FINANCIAL TIMES SURVEY

Wednesday March 15 1978

SPECIALIST CARS

As the events of three and four years ago showed, specialist car manufacturers are distinctly more vulnerable to economic vagaries than the high volume car makers. Those which came through that period were not always unscathed, and they tend now to direct their emphasis towards greater luxury.

A profitable line for Europe's craftsmen

THE SPECIALIST car industry is almost entirely a European phenomenon. In Japan, the emphasis of vehicle manufacturing lies in the volume sector, and there has been little attempt to cultivate the design of small volume cars or luxury products, or even sports cars. The same is more or less true of North America, where vehicles like the ill-fated Bricklin sports car occasionally make their bow only to fade out again. Even America's mass of luxury cars are not specialist cars in the European sense. They are made by the big volume manufacturers, using many parts which derive from much cheaper vehicles, and they come off the standard sort of production lines.

There are two main characteristics which divide specialist cars from the rest of the industry. First is the high degree of craftsmanship which goes into a vehicle of this kind. Although many cars which are now called specialist, like the Mercedes, Volvo or BMW ranges, are made on conventional production lines, most are not. A great deal of handicraft and individual operator skill goes into the production of the more exclusive executive vehicle: and even those cars, like the Rover or Audi range, which are produced on conventional assembly lines are much more labour intensive than the average car.

The other distinctive feature of the specialist industry is the image which the cars create. In order to appeal to a more selective market, manufacturers have to present something which is clearly different from the mass—cars which are faster, or more luxurious, or more idiosyncratically styled. The vehicles are aimed calculatingly at customers who are prepared to pay an additional margin of price for whatever extra they are getting. This margin determines the extra labour costs which can be put into a vehicle.

Because the economics of specialist car building depend so fundamentally on maintaining an image, it tends to be a precarious business. Fashions can change swiftly, the image of a company can be dented by a few unfortunate events, and the outside environment can make a sudden, unwelcome impact. During the oil crisis, for example, many of the less soundly-based specialist car builders suffered acutely because they were perceived as manufacturers of fast, anti-social vehicles which used too much fuel. The 1974/5 period saw the disappearance—sometimes temporary — of a number of Europe's specialist vehicle builders.

Following this troubled period the business has changed quite positively in character. The emphasis has switched definitely towards luxury and away from brute speed. Aston Martin, for example, has been re-born after its collapse in 1975, with a new Lagonda model which is quite emphatically a saloon rather than a sports car. De Tomaso in Italy is following a similar path in the sports car companies he runs, and Porsche, the German sports car manufacturer, has deliberately gone up-market with its new 928 model to seek out customers who want a combination of luxury and speed which was not really a part of the tradition established by the super-fast 911 model.

Pure speed, indeed, is now seen as an addition to the blend of the luxury car rather than an end in itself. "We believe that the sports car of the future should excel in everything except interior space," says Professor Ernst Fuhrmann, chief executive of Porsche. Lotus has followed a similar philosophy in its new Elite-Elan-Eclat range, which has taken the British company away from the cheap, do-it-yourself, sports car image which the first kit cars established for Lotus.

Trend

There are two influences behind this trend. The first, and most important, is undoubtedly the increasing amount of Government regulation and restriction which is hemming in the motor manufacturers. These emphasise safety at the expense of speed, and social factors against the individual desire to have total freedom in the use of a car.

In effect, these governmental pressures are forcing sports car manufacturers to build different sorts of vehicles. They are much more expensive in order to meet the regulations, and the only way to get back the extra cost for a small manufacturer, is to build in more profit margin — hence the move up market. Regulations on polluting exhaust emissions, for example, are extremely expensive to meet, and quite apart from adding to the cost of a car, mean a sacrifice in performance.

The other factor is psychological. Motorists in mature car-owning countries tend more and more to regard vehicles as tools of their trade or a convenience in their leisure time, not an end in themselves. Speed is increasingly catered for in off-road events for the enthusiasts, not on the road. Motorists, pressurised by speed restrictions and safety propaganda, are coming to look less for outright pace and more for all-round performance, or something which looks different.

This partly explains the success of specialist body-builders like Panther Westwinds, the Byfleet manufacturer which emphasises nostalgia and novelty more than anything else. Its cars are unquestionably powerful and speedy. But they owe their appeal either to their deliberate attempt to re-create a long-lost era of sport car motoring, as in the DeVille or Lima, both models which look like 1930 cars, or to their outstanding originality, as in the Panther 6 model, which has four front wheels, and a rounded body shell reminiscent of some post-war American cars. The Morgan sports car company has a similar history of relying on the nostalgia appeal of traditional vehicles.

Many of these small manufacturers still rely deeply on the inherited skills and enthusiasm of their workforce. But there is a section of the industry which stands much closer to the modern practices of mass production. Manufacturers like Mercedes, BMW or Jaguar, the Leyland subsidiary, make cars in considerable volumes using capital intensive manufacturing techniques. Mercedes, for instance, makes well over 200,000 units a year of its 200 model, which is a higher volume than some popular cars from the mass producers.

The key to this kind of operation is adding refinement in terms of engine smoothness, quietness, and comfortable ride and trim. This means, of course, more expensive design and engineering, and a more careful approach to the assembly of the vehicle than is normal in the average car. But the techniques are close enough to those of making volume cars to tempt a number of non-specialist producers into the luxury sector.

Newcomers

These newcomers see the opportunity to build a higher margin business on to their ordinary production requirements, while making savings in some areas by using standard components from the rest of their lines. In the last five years nearly every popular car manufacturer in Europe has moved into the specialist field in this way, including Fiat (with the Lancia acquisition), Volkswagen (with Audi), Peugeot, Citroen, Renault, Ford and Opel.

The other sector of the business which is clearly growing lies in cross-country vehicles. The term cross-country has been coined to cover vehicles which have more rugged driving characteristics than the ordinary saloon car: they can be used off-road, have high clearance, often have four-wheel drive, and have roomy interiors which can be used for either seating or luggage.

The classic vehicle of this kind is the Land-Rover, a vehicle which inspired many other manufacturers to come into this field, and which has now spawned the Range Rover. But the American manufacturers are also highly active in this field, making about half a million four-wheel drive vehicles a year, followed by Japanese companies like Toyota, with its Landcruiser, Daihatsu and Subaru. Mercedes is also due to launch a similar vehicle early next year, which it will make in collaboration with Steyr-Daimler-Puch of Austria.

Partly because demand for vehicles with these characteristics has been the one big growth area in the U.S. over the last few years, and partly because the developing world has a similarly great need for them, more and more manufacturers are trying to tap this market. In Europe, for example, Simca and Matra have combined to make the Rancho, a vehicle reminiscent of the Range Rover, and in Switzerland Monteverdi and W. H. Felber have launched similar products.

There is an obvious danger that too many manufacturers will rush into this sector over the next few years. But it still unquestionably presents a fine opportunity to specialist producers with their knowledge of minority needs and attention to detail.

Equally, all specialist manufacturers face a tough problem in improving the fuel consumption of their vehicles to meet the new standards which are being increasingly legislated to cover the industry. Rolls-Royce, for example, the most exclusive of all the specialist producers, is working hard to improve its present high level of petrol consumption in order to be able to compete effectively in the U.S. But these are problems, which, with ingenuity, can be solved. In a sense, they provide the challenge to invention and clever engineering which has been one of the main spurs of the specialist industry throughout its history.

Terry Dodsworth

Savings through new materials

THE TWO lightweight engineering materials most frequently used in small volume specialist car production are plastics and aluminium alloy. It is the difference between bodies for Lotus and Reliant Scimitars, for instance, and the aluminium bodies for Aston Martin and Morgan Motors. The dividing line with steel is generally a matter of volume.

Low volume goes with low capital outlay and high labour content. This is in sharp contrast to Ford, Leyland and other high volume producers who spend around £10m. on press tools for a body, plus another £25m. or more for jigs and fixtures. A typical body comprises about 300 bits of sheet steel welded together by automatic or highly mechanised processes. Bodies in aluminium, with which we are mainly concerned here, are attached to a chassis, and there may be no more than 15 or 16 panels. The panels are formed on rubber dies, often in specialist factories, and are finally shaped by highly skilled panel beaters. Plastic bodies similarly require a substantial degree of manual work and skill in their preparation and later stages.

There have been one or two instances where steel and alloy body parts have been used together. Former Rover car models like the P6, for instance, used aluminium bonnets and boot lids, although the two metals need rather different treatments. Because of oxidation, aluminium requires an etching primer different from the primer applied to steel bodies, though subsequent painting operations are common. But with the new integrated plant for the latest Rovers two different treatments became uneconomic and an all-steel body is used.

Another reason for the preference for steel, quite apart from technical characteristics, is of course price. Even though 35 to 40 per cent. of the steel used in body-making processes is returned to the steel mills as scrap and there is relatively little waste in aluminium, the price difference is considerable, and steel is likely to remain the preferred metal for many years to come. It is perhaps significant that motor body steel has been exempted from the price rises recently announced by the British Steel Corporation. This reflects the sensitivity of the buying public to any price rises.

USE OF ALUMINIUM ALLOY IN CARS

	Kilos
Ford Escort	9.74
Ford Taunus (Germany)	9.48
G.M. Ascona (Germany)	14.93
Ford Fiesta	16.09
Audi 50	20.06
VW Golf	20.90
Renault 14 TL	37.07
Av. U.S. car	51.6 (est. 1979)
Ford Escort (projected 1983)	26.23

This is not to say that the volume car makers are in any way neglecting to keep abreast in their development departments with materials needed for bodies, trim, mechanical components and other items. A few years ago a "superplastic" alloy, Prestal was evolved and experimented with for car bodies. This contained 78 per cent. zinc and 22 per cent. aluminium and could be vacuum formed at 260 to 270 degrees C. It had certain structural disadvantages which ruled it out. But Tube Investments, continuing research and development of a superplastic alloy has found success in the car body field. Supral, as it is called, is being used on the new Lagonda from the Aston Martin stable at Newport Pagnell.

Supral is formed in special machines operating at ten atmospheres and near 500 degrees C. for the production of 50 to 10,000 items a year tooling costs are about one magnitude cheaper than conventional tools, ranging from around £350 per square foot of plan dimension for smallish tools to around £250 for bigger. An eight foot by four foot machine is considered the largest likely to be needed commercially for the immediate future. Only 15 pressings are needed for the Lagonda shell. Supral has mechanical properties equivalent to NS 3/4 and elongates ten times, enabling thicknesses to be held in complex shapes of up to 15 inches deep. Among the advantages it has over an alternative alloy that would have been used are more precise features, enabling crisper lines to be achieved than are possible with rubber dies.

Achievement

The use of this superelastic material is technically a very considerable achievement, but, as with other light alloy,s is likely to be used for body work only in specialist and top of the range small volume models. Apart from the price factor, of course, there is availability to be considered. It seems doubtful whether sufficient aluminium alloy sheet could be supplied to meet the needs of a high volume multi-national car producer, certainly without grave risk of distorting the price structure. Aluminium also requires extremely careful handling.

Many of the problems in improving power to weight ratios and engine efficiencies and reducing pollution stem from American reluctance to buy scaled down domestic models, though they obviously do not object to compactness in imported vehicles. But the move to compact cars has been only a partial success and American producers are landed with problems of taking a lot of weight out of models to achieve mandatory petrol consumption figures.

There are now many components, from engine mountings and cylinder heads to carburettors and brackets, made in light alloys. The accompanying table shows the general state of the art. From this it will be seen that substantial steps forward in their use are taken when new models, like the Fiesta, come along. Leyland, which has lacked new high volume models is lagging behind for that reason.

In the not too distant future, certainly one by the mid-1980s, one can expect to see alloy in common use for cylinder heads —an application going ahead very quickly—manifolds, brake parts, master cylinders and wheels (which may switch from castings to pressings). All aluminium engines, of which there are already numerous examples in the lower power ranges, will almost certainly follow, for this is an area where substantial weight savings, accompanied by efficiency improvements, can be achieved. Ford, for instance, is proposing aluminium engines for the Fiesta, and future Escorts and 1.6 litre Cortinas at its new plant to be built in South Wales.

In solving their problems, the Americans appear to have very little choice but to adopt light alloys for as many components as economically possible. In the early years this is likely to demand a different technical approach. The U.S. leads the world in high pressure die-casting technology because high volumes make it worth while investing in the very costly equipment to make them. In Europe there have been a good many disappointments and some failures, largely because it is very difficult, especially with multi-sourcing, to get an adequate return on capital.

In the U.K., and in Europe, too, the tendency has been to go for gravity and low pressure casting. Gravity casting confers the flexibility in design and range that high pressure systems tend to impose. It also avoids problems of porosity which are hard to eliminate with pressure. In designing an alloy engine, for example, the question of adequate waterways for cooling purposes and the location of retaining bolts is critical. If the waterways are too narrow or wrongly positioned overheating problems, especially in adverse climatic or traffic conditions, can become acute. The proposed new Ford engine is likely to have waterways round the sparking plugs, for instance, an entirely new departure.

In extending the range of aluminium components, particularly engines, the Americans are leaning heavily on U.K. and European technology in automated gravity casting and low-pressure casting, and it looks probable that automated gravity castings will become a preferred intermediate technique, paving the way to high-pressure casting of complex engines. The aluminium engines used in Aston Martins, Rolls-Royce, Rovers and Morgans are gravity or very-low-pressure castings. Undoubtedly the Americans will solve the technical problems of making complex components in light alloys within a few years, and among the first beneficiaries will be the specialist and low-volume car makers, who are aready test-beds for advancing technologies.

Peter Cartwright

The battle for sales

THE OUTSTANDING world markets for specialist cars lie unquestionably in Europe and North America. So far, Japanese customers have not taken to this type of vehicle in any numbers, despite the general maturity of the market, and indications that they may do so. Elsewhere in the world, populations are too limited, or the state of the local economies too weak, to support tales of specialist products in any large amounts.

In addition to these economic factors, the specialist car manufacturers have had to face a number of new marketing problems created by Government regulations in recent years. Many countries have put up such harsh restrictive barriers in the shape of high tariffs or local content requirements (which mean that any vehicle sold locally has to have a certain percentage of locally made parts in it) that importers have been totally shut out of their markets. Porsche, the West German sports car manufacturer claims, for example, that it has been forced to withdraw from ten markets within the last few years for just these reasons. These include Mexico, Portugal, South Africa and Australia.

Because of these developments, the U.S. has assumed a particularly important status for European specialist producers. It is a free and open market, with virtually no competing manufacturers of its own. It is also a vast market, as big as Western Europe itself, thirsting for novelty. And it has no preconceived prejudice against large, thirsty and expensive cars —indeed there is great scope for any manufacturer offering something expensive as long as it is also different.

Some manufacturers now feel that the U.S. has become too important for them. Rolls-Royce, for example, which sells a little over half of its total production in the U.S., is trying vigorously to increase its sales elsewhere to balance this dependence on one market. The trouble with the U.S. is that it can be expected to impose increasing regulations on producers in the next few years, particularly in the area of fuel economy, which will make it difficult to compete because of the expense of developing engines and vehicles of the necessary quality.

Stringent

The U.S. is already a difficult market from the regulatory point of view because of the extremely stringent standards it applies to exhaust emission control and safety. Since these standards vary from state to state, and since manufacturers usually have to show that they can meet them on a state by state basis, compliance with U.S. requirements can be very expensive, requiring much duplicated testing work and many minor product alterations. If these regulatory procedures intensify, producers for the market will be faced with the prospect of an increasing bill for research and design work which many of the smaller producers may not be equipped to handle.

Despite these deterrents, all the success stories of the European industry in North America in the last few years have been achieved by specialist companies. Rolls-Royce Motors, for example, has raised sales substantially there since it was hived off from the ailing aero engine group in 1973. BMW, which has only been exporting to the U.S. for a few years, has quickly established itself. Mercedes-Benz now sells almost 50,000 cars a year in the U.S., and Porsche almost 20,000. Smaller companies like Lotus, Ferrari or Panther are also building up healthy sales. By contrast, these manufacturers have done much better than their European rivals in the volume field, who have all suffered heavily from the Japanese incursion.

In Japan, the only specialist producer to have made any impact so far is Mercedes, which sold 3,341 cars there last year to achieve a market share of 0.1 per cent. Other producers, such as Rolls-Royce and Lotus, are experiencing rising sales at present, and the Japanese continue to insist that if the European industry really wants to redress the balance of its trade in motor products, it ought to try doing it in specialist vehicles where it stands a very good chance of success; but,, so far, the industry has failed to make a major impact.

EUROPEAN SPECIALIST MANUFACTURERS' SALES IN THE U.S.

	1977	1976
Mercedes	48,722	43,205
Volvo	46,790	43,887
Audi	35,854	33,316
MG	34,749	28,436
Triumph	29,258	28,232
BMW	28,776	26,040
Porsche	19,896	14,192
Saab	13,120	9,866
Jaguar	4,349	7,384

One of the curious features of the specialist industry is that during the oil crisis it produced the only two examples of companies which were able to withstand the general cutback in car production—Rolls-Royce and Mercedes. These two groups, despite standing near the top of the range in terms of high petrol consumption and high prices, went on serenely selling more vehicles, despite the troubles which hit larger volume producers and the speed-conscious specialist car producers. Ironically, one of the reasons for this ability to ride out the difficult market conditions was the fact that these companies found new sales in the oil-producing and economically-expanding countries.

The Middle East has provided one of the biggest cushions to the specialist industry in the past few years. Even new companies, like Panther, are now managing to sell there, and the older established groups have been strengthening their distribution systems in the area. Leyland, with its Land-Rover and Range Rover line-up, has found the area one of its most lucrative markets in recent years.

But the backbone of the market, for all the European specialists, remains Europe itself. Taking a broad definition of specialist vehicles anything from a Ford Granada to a Rolls-Royce—sales have stood steadily at around 25 per cent. of the total market for the past five years. They slipped, naturally enough, in the wake of the oil crisis to 23.6 per cent. in 1974; but they have since resumed an upward climb to about 26 per cent. last year.

Desires

Manufacturers expect a small, continuing growth in the market share of big luxury vehicles in Western Europe. "People will want big, strong cars for their leisure pursuits," says Herr Hans-Erdman Schoenbeck, sales director of BMW, the West German concern. He concedes that the industry could face a volatile year or two, partly because of the fear of kidnapping now affecting any senior executive in Europe, and the desire to remain as anonymous as possible. But BMW, which launched its new big seven series last year, has been surprised by the swiftness with which the model has taken off. It is already up to the first production target of 150 vehicles a day, and the company is aiming to increase this by another 10 a day with the use of extra shifts and overtime.

BMW believes that the most buoyant area of demand will be for vehicles with an image of comfort and luxury rather than the sheer speed on which the success of the group was built in the 1960s. These views echo those of pure sports car manufacturers like Lotus and Porsche, which have also deliberately moved their products in the same direction with their latest range of models. At the same time, several luxury car manufacturers are moving in what is, on the face of it, the opposite direction, with the utilisation of diesel engines for their cars. At the top end of the market this trend includes Mercedes, now making almost 50 per cent. of its vehicles with a diesel, followed by larger scale manufacturers such as Opel (expanding diesel ouput from 25,000 units a year to 100,000), Citroen and Peugeot. In addition, Ford will soon introduce a diesel-powered Granada.

The introduction of diesels has been designed to give customers cars with greater fuel efficiency than the standard petrol-driven product. In big vehicles, using a lot of fuel, often driven many miles, expensive to buy, and depreciating more slowly than smaller models, this variation makes a lot of sense: the economics of diesel use improve with mileage and the length of time which a car is in use. In most of Continental Europe, where diesel fuel is much cheaper than petrol, it also gives the companies another powerful marketing weapon, and it is reckoned that about 250,000 diesel units were sold in this class last year.

The strongest company, in this respect, remains Mercedes. In 1976, the last year for which full figures are available, it is reckoned to have 2.4 per cent. of the total European market, all with vehicles reckoned to be "specialist" in one sense or another. It was followed by Audi, Ford, BMW, Opel and Peugeot, on between 1.5 per cent. and 2.0 per cent. of European sales, with Volvo and Citroen accounting for between 1.0 per cent. and 1.5 per cent.

Clearly, as these figures suggest, there are now a lot of manufacturers battling it out for sales on fairly equal footing. But if the specialists have done their analysis correctly, there should be enough sales around for the forseeable future.

Terry Dodsworth

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THE GOOD, THE BAD AND THE UGLY

Our unique new car price guide, this month incorporating increased prices for Chrysler, Citroen, Datsun, Honda, Lada, Leyland, Mazda, Opel, Peugeot and Renault —with the Lamborghini Countach S joining the list at £32,500!

BMW

316 £3999 100mph, 13sec 0-60, 24-30mpg **320** £4999 114mph, 9.5sec 0-60, 21-27mpg ***For:*** *Handling, finish, pleasant 2.0/6cyl engine* ***Against:*** *Cramped, modest roadholding, noisy at speed* ***Sum-up:*** *More upmarket Cortina than sports saloon*

518 £5249 101mph, 12.6sec 0-60, 25-30mpg **520** £6099 110mph, 11sec 0-60, 20-26mpg **525** £6999 116mph, 10.1sec 0-60, 20-25mpg **528i** £8128 129mph, 8.5sec 0-60, 18-23mpg ***For:*** *Conservatively tasteful lines, efficient cockpit, handling, integrity* ***Against:*** *Poor rear room, excessive wind noise* ***Sum-up:*** *In our view the best BMW of them all*

728 £8950 119mph, 9.8sec 0-60, 20-26mpg **730** £10,540 124mph, 9.3sec 0-60, 18 24mpg **733i** £11,550 ***For:*** *Truly superb handling, appealing interior* **Against:** *Seats only fair, ride poor on some roads* ***Sum-up:*** *Not the worldbeater BMW would have you believe; XJ6/12, Peugeot 604 more refined, Audi 100 much better value*

MERCEDES-BENZ

200 £5995 100mph, 14.8sec 0-60, 22-30mpg **200D** £6250 85mph, 28sec 0-60, 31-36mpg **230** £7594 108mph, 13.2sec 0-60, 20-29mpg **240D** £7594 90mph, 22.2sec 0-60, 28-36mpg **250** £8395 110mph, 12.1sec 0-60, 19-26mpg **300D** £8995 98mph, 19.5sec 0-60, 24-35mpg **280E** £9694 120mph, 10.2sec 0-60, 16-25mpg ***For:*** *Outstanding quality, long-life potential, superb automatic gearbox, fine manners* ***Against:*** *Cold character* ***Sum-up:*** *Safe, conservative transport tool that can be relied upon to do its job well*

280SE £11,795 123mph, 10sec 0-60, 17-19mpg **350SE** £13,499 128mph, 9.5sec 0-60, 16-18mpg **450SE** £14,750 **SEL** £15,751 **SEL 6.9** £23,850 ***For:*** *Same build quality, more space, better styling* ***Against:*** *Rear seat should be better* ***Sum-up:*** *The right air of importance! (6.9 is a fine driver's car, not so good for passengers)*

ROLLS-ROYCE

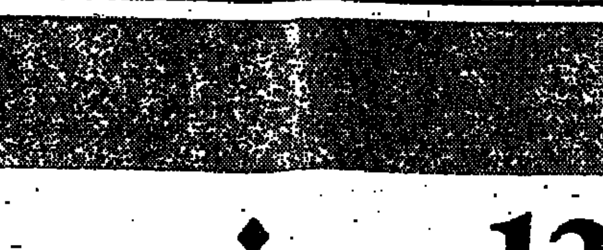
Silver Shadow II £26,740, **Silver Wraith II** £31,485 116mph, 10.5sec 0-60, 12-15mpg ***For:*** *The name, finish, room* ***Against:*** *Not as quiet and refined as it should be* ***Sum-up:*** *Jaguar XJ12 sets higher all-round standards; new model due this year might redress balance*

JAGUAR

XJ3.4 £9230 117mph, 11sec 0-60, 19-23mpg, **4.2** £9753 122mph, 8.8sec 0-60, 15-18mpg **5.3** £11,880 ***For:*** *Ride, handling, quietness, overall refinement, V12's appeal* ***Against:*** *Rear headroom, some rough edges* ***Sum-up:*** *The world's best saloon*

Reproduced from Car Magazine March 1978

Surprised?



JAGUAR

Jaguar prices start at £9,230.13 for the XJ 3.4; £9,753.12 for the XJ 4.2; £11,880.18 for the XJ 5.3. All prices include V.A.T.; Car Tax and front seat belts but not number plates or delivery charges.

Top marques for some

YOU HAVE probably suffered from it—almost everyone has—that surge of envy, or admiration, brought on by the elegant note of an expensive and highly-tuned multi-cylinder engine as an exotic sports car flashes by. Or there is the less emotional but equally envy-inducing sight of a very expensive saloon or limousine, where the depth of the gloss on the paintwork threatens vertigo, and the very dignity of its motion through more proletarian traffic proclaims it a beast apart.

The people who manufacture these cars—the Ferraris, Aston Martins, Rolls-Royces and Porsches for example—deal with a fairly rarified market, where it is more common to tailor the vehicle to the customer than to let him buy it off the shelf.

Unfortunately for those who love, admire or envy them, there are fewer now than there used to be. The death toll in recent years alone has been considerable. Jensen's Interceptor and FF are collector's items, the Gordon Keeble is hardly ever seen outside a museum, and further down the market, those long slinky, plywood and fibreglass creations, the Marcos, have gone for good.

But there is still an astonishing number left—Ferrari, Lamborghini, Maserati, Aston Martin, Rolls-Royce, Bristol, Porsche, Lotus and de Tomaso, among them. That they survive, and most survive exceedingly well, is due to their peculiar market.

The market is best expressed by Alan Curtis, managing director, major shareholder and joint saviour of Aston Martin Lagonda (AML). Right at the top of AML's range is the highly sophisticated hand-built £32,600 Lagonda. "Fortunately," he says, "there are people who regardless of cost will always buy that sort of car."

He and his co-directors took a gamble in 1975 when they paid the company's receiver more than £1m. to take it over. Since then they have substantially re-organised the company and have brought out the Lagonda to compete with Rolls-Royce. Orders at the moment stand at over 200 (AML only builds 24 cars a week, and that includes the Aston Martin V8 and the Vantage) and there are two large markets in the U.S. and the Middle East.

Not only is the car business a success—"general trading is very profitable," says Mr. Curtis, "and we're in a healthy, happy state": there has also been a lucrative spin-off as a result of the high technology elcetronics which have gone into the new Lagonda. A new joint company called Aston Martin Electronics has just been formed which will provide specialist equipment for other car manufacturers—and all being well, for the aircraft industry.

But if Aston Martin's production looks low by comparison with volume car producers, that of Bristol Cars must be unique. Like Aston Martin, it has three models, and like Aston Martin, they are all hand-built. But here the resemblance ends, because Bristol averages only three cars a week, and that is bodies alone. It buys in the engines and gearboxes from Chrysler (U.S.) and tailors the car to the customer—at £28,000 for the top-of-the-line 603S2 saloon.

Bristol's production volume is so low that it cannot identify any single geographical area as a market as such, but it is significant that when I tried to talk to the managing director, Anthony Crook, I had difficulty reaching him because be was flying back to London after seeing a customer.

But it has not all been plain sailing for the larger volume luxury car manufacturers. Rolls-Royce Motor Holdings results for the year, announced earlier this week, showed that a year of industrial disputes, both domestically and among suppliers, and untoward currency fluctuations had a detrimental effect on profits.

Healthy

The order book is healthy enough though, and in building about 3,300 cars a year through a seven model range the only real concern at the moment is the proposed U.S. legislation to penalise cars according to their fuel consumption. But Rolls has always been adept at meeting the needs of its supporters, and reckons any future need for a smaller engined more economical model can probably be met. Rolls-Royce is top of the expense lead at the moment with the £47,400 Camargue — and has little trouble selling it. About 40 per cent. of production stays at home, but the U.S. accounts for about 35 per cent., and Europe and the Middle East for the rest.

Some way down the price list, at £14,500, and certainly outside the made-to-measure class, is the Jaguar XJS. But it is a comparatively low-volume production car. In the two and a half years since its introduction, the company has only made just over 9,000—and of course a very large proportion went to the U.S., where it is highly esteemed. The XJS (and the V12 saloons) joins Ferrari and Lamborghini as the only commercial manufacturers of V12 engined cars.

Other manufacturers have had their problems as well. Porsche, whose products have inspired great covetousness in many a breast for many a year, went, like many of the other manufacturers, through a very difficult, very tight period immediately after the 1973 oil crisis. The company took a particularly hard knock when Volkswagen withdrew from a joint exercise in 1974 to build what has become Porsche's "cheap" car, the 924. Porsche carried on with the design, which used many Volkswagen/Audi components, and which meant a planned production volume almost double that for the familiar and much loved 911, at about 24,000 units a year.

At the same time, the company spent DM100m. on developing the 928, the rear-driven front mounted V8 engined true planned successor to the 911. That their efforts have paid off is confirmed by the fact that the 928 has been voted "Car of the Year," and the company is now producing 37,000 cars a year, compared with its low point of only 8,600 in 1974/75. However, lovers of the 911 will be glad to know that production will continue for as long as possible—Porsche says until sales drop below 4,500 cars a year. And those who plan to change to the 928 will have to pay about £20,000 to enjoy the privilege, though Britons will not have the chance until later this year.

Second place in the "Car of the Year" competition went to BMW's new 7 series—but they will soon be offering far grander things to titillate the palate of even the most jaded supercar owner. The M1 will become available shortly after its official introduction in October.

The M1 stands for Motorsport 1, a wholly new car designed for BMW by the Italian design house, Italdesign, and being assembled by Lamborghini at Modena because BMW has insufficient space. This new offering, of which prototypes are still being built, is planned to take BMW to the front in Groups 4 and 5, that is production sports and saloon car racing. It is a mid-engined sports coupe, and in order to meet FIA reguations, at least 400 production, road-going cars have to be produced. There will be two versions, a 3.5 litre fuel-injected straight six, and a 3.2 litre turbo-charged straight six. BMW will not be drawn on the possibility of a V8 or even a V12 in the pipeline, and will not say whether production will be increased if the commercial models prove a success. The price has not yet been fixed, but at about £30,000 each, they will not be cheap.

At the top of their range, BMW's host in this project, Lamborghini, is soldiering on with the Countach (£32,500 for two seats and nearly 190 mph) and the "cheaper" but exquisite Urraco and Silhouette models. The story goes that Lamborghini began to make fast expensive cars to show Enzo Ferrari that he could do a better job.

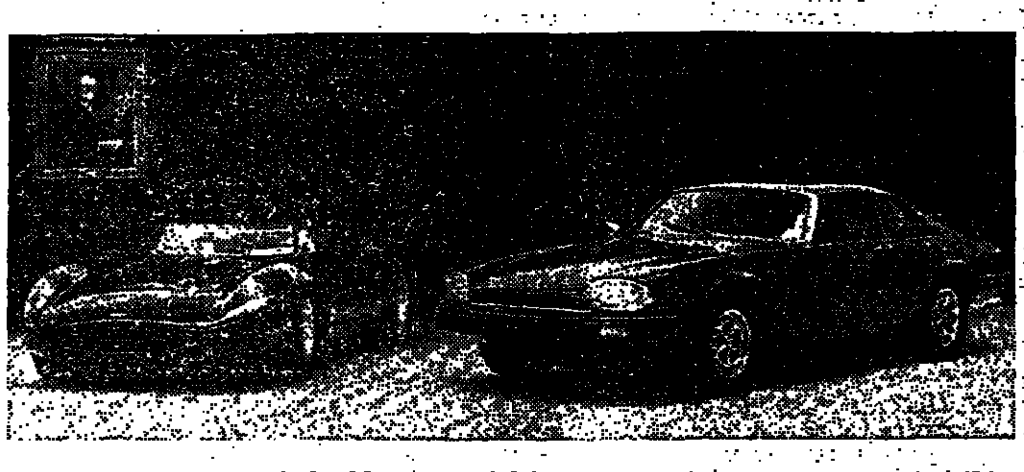
Whether the story is true or not, there appears to be plenty of space for both manufacturers. Ferrari's range is made up of five cars, though three, the 308GTB, 308GT4 and 308GTS are variations on the successor to the 246 Dino, which went out of production at the beginning of 1974. But the super Ferrari is the Berlinetta Boxer 512, a £26,000 mid-engined two seater. Ferrari was another manufacturer which found the going tough in 1975, but has recovered and is now trading profitably under the Fiat mantle.

Of the Italian supercar manufacturers, there are two others who bear mention, Maserati and De Tomaso. But it is in Britain that the next true candidate to join the exotic car ranks has been developing—Lotus, which began over 20 years ago when Colin Chapman started adding light open racing bodies to Ford mechanicals to provide simple, cheap racing cars, in kit-form.

Group Lotus, as it now is called, has come a long way since then. Two years ago, Lotus was in dire straits, with heavy overdraft commitments brought on by a decision to go into volume production with three new models. The company was saved by a five-year £2m. loan from the American Express International Banking Corporation, which now has an option to buy 10 per cent. of Lotus equity.

At almost £11,500, the top-of-the-range Elite 504 is by no means cheap, but it is a lot less expensive than many of the cars it competes with. It is also proof that in spite of the troubles of the past Lotus too sees a continuing and possibly improving market for expensive, exotic super cars.

Rodney Smith



On the right, Jaguar's highly successful XJS coupe. The car on the left is the XJ13 project car, a one-off V12-engined sports racing car which never raced. Many motoring enthusiasts feel Jaguar made a mistake in failing to put this model into production.

The luxury market develops

SALES OF big luxury cars have continued to expand in Western Europe during the last two years despite all the predictions that there would be a big swing among customers towards more economical vehicles. Manufacturers are extremely buoyant about their prospects at present. Most of them have bulging order books, and their most difficult decisions are about whether they should or should not expand. In fact, virtually every significant producer of executive-type vehicles has added some capacity within the last two years.

ESTIMATED CAPACITY FOR EUROPEAN LUXURY CARS	
Rolls-Royce	3,400
Mercedes	430,000
BMW	300,000
Audi	200,000
Jaguar	40,000
Rover	150,000
Lancia	80,000
Volvo	250,000
Saab	100,000
Citroen (CX)	125,000
Renault (20/30)	130,000
Peugeot (504/604)	240,000
Ford (Granada)	300,000
Opel (Rekord/ Senator)	210,000

Perhaps the most important reason for this growth is that fuel prices have not risen by anything like the degree that people were fearing three years ago. Relative to the general rate of inflation, petrol prices have stabilised in most European countries — in the U.K., the real price of petrol is the same as before the oil crisis: and the price of diesel fuel is very much lower in some areas. At the same time, there has been a positive drift towards buying larger cars in France, one of the traditional homes of the medium-size saloon, as the French motor industry itself began to make more of these kind of vehicles. Britain and Germany, traditionally large-car buying communities, have remained so.

Another influence may be the growing amount of company cars on European roads. The phenomenon of company car ownership is much more pronounced in Britain than anywhere else, but other countries are following the British trend, with cars being bought by companies as a perk for their executives. A corollary of this move is that most people with a genuine choice opt for slightly larger and more comfortable vehicles. For family motoring purposes, the small European saloon is still a cramped vehicle.

The only European country which has suffered a set-back in this sector—as in all other parts of its motor industry—is Sweden. This problem is a symptom of a general economic malaise, however, rather than a positive move against executive-style cars in themselves. The slump in Sweden, and the extreme financial crisis through which it is passing, have reduced total registrations by about one-third in the last two years, inevitably hitting the sales of Volvo and Saab which are predominantly in the executive area. As a consequence, these two companies are themselves suffering a crisis which almost led to a merger a year ago.

The problems now faced by Volvo and Saab illustrate some of the changes through which this sector of the market is now passing. These two Swedish companies have been exposed to financial difficulties because of their small home market and their limited range of models. They have always faced problems in this respect, but during the 1960s they worked out a brilliant commercial strategy to cope with these limitations. Sales were buoyant at home, and on this base they built up an overseas business angled towards high margin products selling in a few carefully-chosen market niches.

Difference

It was a similar strategy to that followed by Rover in Britain or Lancia in Italy, with the essential difference that the Swedes pursued it on a truly international scale. But eventually they ran into similar difficulties to the British and Italian companies: slack home markets create problems, which are then compounded by the expense of developing new vehicles to face up to international competition. This competition has now intensified, as more and more manufacturers have entered the field, and as companies with larger all-round resources have begun to bring these to bear.

Depth of financial resource is now an important asset in the executive car business. The cost of development to meet international regulations on safety, emissions and now, in the U.S., on fuel economy, is so great that a company really needs a considerable volume of output to offset against the expenditure. This is why the larger volume manufacturers have seen the chance to move into the executive market; they believe that they can use components (say engines) for their specialist vehicles which they have aready developed for their other models, thus reducing the cost of production.

The executive market is split essentially two ways. At one pole a number of independent, specialist producers with no real volume car production at all, are competing for the top fringes of the market. At the other are the volume manufacturers, gradually working their way up market, and attempting to compete more and more with their more specialised rivals. The big question hanging over the industry is whether the independent producers will survive — and if they do, in what form.

Mercedes has followed a highly successful marketing policy. Although some of its cars are made in quite large volume (it could make about 450,000 units this year, about half the amount of some of Europe's volume producers) the company has managed, through the quality of the product, to persuade customers that they are set apart from run-of-the-mill vehicles. This applies even in Germany, where the 200 series serves as an ordinary taxi.

Rolls-Royce's marketing strategy has been equally successful. The company's expansion in recent years has been carefully controlled so that the image of exclusivity can be preserved (it is growing at the rate of about 7 per cent. a year), and it has designed its vehicle to give a blend of comfort, refinement and size which has been remarkably well received throughout the world: the Silver Shadow's size, for example, was small for the U.S. market, but is now being accepted by the American companies themselves as a sensible dimension for their large luxury cars during their own downsizing programme.

Like Mercedes, Rolls-Royce has also widened its spread of activity through its diesel engine division; and a similar strategy can be seen at Volvo and Saab, which both have commercial vehicle ancillaries. The big exception to this rule is BMW, which has a motor cycle subsidiary, but of such small dimensions that it is overshadowed by the car-manufacturing group. So far there is no sign that the German companies or Rolls-Royce are faltering on their chosen path, although the new American regulations on fuel consumption are posing them the biggest engineering problem they have faced for many years. Their ability to overcome this challenge will give the clue to whether they can survive in their present form or not.

T.D.

Small cars with big hearts

IN RECENT years the once clear-cut distinctions between the mass-produced car, the luxury car and the high-performance car have become blurred. The traditional luxury marques are now often owned by the mass producers and have become a vehicle for common engineering with extra padding which produces greater profit. The mass producers themselves have moved into the market for medium-sized and performance cars with additional luxury.

The first example of this was the Austin 1100/1300, which was given improved fittings, a different radiator, the same name as a big brother, the Princess, and the Vanden Plas coachbuilder seal of approval.

That has now blossomed into the 1800/2200 Princess range, which is one of Leyland's principal weapons in the middle executive market and is the last staging post before moving into the specialist bracket of the Rover and so up to the Jaguar/Daimler.

Before the energy crisis the average buyer of a luxury car did not wish to compromise on size. He wanted a big car with a big engine and a rolling gait.

The first thing to catch up was the performance of the smaller cars. As engine efficiency improved and more revolutions per minute could be squeezed out of small engines with only a marginal increase in damage to parts, so journey times were reduced for the man with a small economy car and the differential reduced with its bigger brother.

But it meant a strain on nerves, caused not least by the noise of an engine screaming its heart out in a compartment that was built to a price. At that time it was not unheard of to see the road rushing by through a hole in the floor. So the manufacturers looked for a way of improving the cocoon to match the performance and to meet constraints on middle-class pockets which previously were able to aspire to greater things.

The result has been a dramatic growth in competition in this sector of the market. The number of cars and models on offer has grown substantially in the past few years and the mass producers have jumped on the bandwagon with luxury versions of their bread-and-butter machines.

One example is the use by Ford of Britain of the Ghia styling house to produce up-market versions of all its car models. The Fiesta, Escort, Capri, Cortina and Granada all have Ghia versions, with the top model in the Granada range now costing the thick end of £8,000 when a few extras are fitted.

This has led Ford into direct confrontation with the BMW, Audi and Volvo marques, with not inconsiderable success. At the same time the Fiat subsidiary Lancia is developing its sports/executive image and the latest versions of its Beta range are showing that the early effort is being turned into considerable gain.

Competitor

Volvo has also taken the Daf range and turned that into a serious competitor in the small luxury range instead of the previous small economy car.

One of the stimuli behind all this effort is the importance of the business and fleet car market where a distinctive choice has to be offered to the more senior worker or manager while at the same time manufacturers wish to keep the economics of mass production in making the basic skin.

This progression from economy through performance to a combination of performance and comfort has led to a change in attitude by the fleet salesmen over the basic economy versions and they will now often plug hard the merits of buying a more luxurious version on the grounds that when it comes to putting the car onto the second hand market it will command not just a better price but an easier sale than its spartan brother.

This in turn means that the manufacturer is able to sell more bits and pieces on the car and thus increase the added value through manufacturer. To take one small case, radio is now regarded as an almost standard fitment on most luxury small cars. This means that the supply to manufacturers has become more important than the accessories market to some manufacturers of car radios.

And the customers are hardly likely to care whether the radio has a Ford brand name on it or any other so long as the equipment works well. So the car assemblers have been able to squeeze deals out of equipment manufacturers in much the same way as Marks and Spencer or Tesco and retain some of the added value themselves.

Faced with this big competition, companies like BMW seem to be left with the choice of either going further up-market or substantially increasing volume. In some ways BMW has done both, but 300,000 cars a year still does not put it into the mass market while the introduction of the six and seven series has put it into head-on competition with Mercedes.

The inevitable drift, however, seems to be towards giving more and more comfort and the accent of many recent advertising campaigns has been on this theme. Any continued attempt to down-size cars and engines in an attempt to reduce costs per mile, which petrol politically in the front line, seem certain to increase this trend. It is also a very convenient way of increasing turnover without increasing the volume of cars produced.

The factor militating against will be periodic downturns in the European economy. Many people already find the price of a new car so high that they can hardly afford to contemplate buying one. So it is unlikely that the whole of the market will become attuned to luxury so long as there are those who have to watch the pennies.

Stuart Alexander

Volvo's answer to the Land Rover, the new 125bhp C303 series cross country vehicle.

New demand for off-road vehicles

IN THE CEASELESS battle among volume car-makers to win viable market shares for their models, the cross-country vehicle sector has been largely ignored. This is not apparent in this country, where Land Rovers and Range Rovers hold sway and make the exception that proves the rule, at least as far as Europe is concerned. This primacy, both in Rover's home market and in key export markets is now being determinedly challenged and will come under increasing attack from Japan, Germany and America. Nor can the threat from East European countries be discounted.

The potential for the newcomers, as well as for established producers of cross-country vehicles, can be stated simply. The U.K. market of around 10,000 units a year is within a thousand or two as big as the rest of the Common Market countries. In 1976, the last year for which world statistics are available, production of cross-country vehicles outside the U.K. was virtually confined to Italy, Austria and Spain, and then only in penny numbers—9,000 Fiat Campagnolas, 2,000 Haflingers from Austria and 12,000 from the MSA plant in Spain in which Leyland has a minority interest.

The British market has largely reflected the number of Land Rovers and (since 1969) Range Rovers the company could build or had left over, so to speak, from exports. While more than 1m. Land Rovers have been built since they were introduced by Rover Cars in 1948, as a diversion and to get into quick production with a new model, it is a valid criticism that neither neither Rover when it was independent, nor British Leyland after acquisition, really set out to exploit the Land Rover on a world-wide scale.

Land Rover output in 1976 was 48,870, or just over 1,000 a working week. Range Rover output was just under 10,000, giving a combined production of 58,750. Some 20 per cent. went to the home market, which Rover holds with a monopolistic 95 per cent. and will in future have to defend much more strongly as importers seek a foothold.

Most Land Rovers are bought by farmers. The Land Rover is rightly described as a work horse. Besides its abilities, as a four-wheel-drive vehicle, to do a multitude of jobs from helping to fetch sheep off the hillside to towing implements, its power take-off and numerous accessories for driving saws and other machinery makes it a versatile agricultural tool.

The Range Rover is a different beast. One of its curiosities is that it is permanently in four-wheel drive. An attempt to introduce a two-wheel version was so strongly discouraged by users, who wanted the extra road-holding provided by four-wheel drive that it was dropped, though not necessarily for ever. It is obviously an option likely to become necessary in the future to meet two-wheel-drive opposition. It is also such a stylish vehicle that it is widely used for ordinary transport. In an era of increasing conformity it gives a distinction and also, no doubt, a boost to the morale of the owner, of the kind a new hat confers on a woman.

Military

Whereas Rover had the German market almost to itself, Volkswagen is now far along the way to making the Iltis. This is a 4 x 4 powered by a 1.6-litre engine and, though primarily for military-type use initially, will obviously have a civilian counterpart. Mercedes, in collaboration with Steyr-Daimler-Puch, the Austrian producer, is expected to introduce the Explorer in 1979, a competitor to the Range-Rover. Volvo showed its C300 series at the 1976 London motor show. Made in relatively small numbers (2,000 in that year), it costs three times as much as an equivalent Rover and sells mainly in its home territory and to military and service bodies abroad. It is expected to be a strong competitor to Rover and Toyota. Volvo has also fully developed its C200 series cross country vehicle. The four and six-wheel 1½ to 4½-ton versions with two and three-litre petrol engines are being put through their paces today at the military vehicles test track at Bagshot, Surrey.

In America, the cross-country vehicle is apt to be derived from its saloon brother. Some look cumbersome, have only two-wheel drive and are frankly advertised as fun vehicles. They are nevertheless extremely popular. General Motors made 283,590 Blazers, Suburbans and similar models in 1976, Ford made 141,740 Broncos, American Motors 102,450 civilian Jeeps plus Cherokees and Wagoneers, and Chrysler 60,240 Plymouth Trailbusters and Ramchargers. International Harvester built 25,580 Scouts, most of which went to Scandinavia. In all, America contributed about 600,000 units to the world production of nearly 1m. Of these, GM's Blazer looks the most competitive to the Range-Rover, while the CJ and J series Jeeps from American Motors are serious rivals to the Land-Rover range. Indeed, TKM Vehicle Services, of Andover, which imports Jeeps (and Daihatsus) have publicly stated they are ready to "cash in" on any Rover shortcomings.

Toyota will also be coming back strongly with its Land Cruisers, which come in four basic models and, because they cover the whole spectrum of Range Rovers, are regarded as the biggest threat. Rover has met them in Africa and other parts of the world and has good reason to respect them. Land Cruisers have been sold in the U.K. but were withdrawn because, like Rover, they could not guarantee availability. This omission is being repaired and production, some 84,250 in 1976, is being increased appreciably. While Nissan makes a Patrol model similar to the short-wheelbase Land Rovers and Suzuki and Mitsubishi also make or assemble cross-country vehicles, Toyota is pre-eminently the competitor.

There is no shadow of doubt that had Rover seized its chances when competitors were thin on the ground it would now be in a more commanding position. It plans to keep up with the opposition at least, however, by a massive investment in new facilities at Solihull designed to increase output from 1,300 to 3,200 units a week of Land-Rovers and Range Rovers. It has at least two other important factors in its favour. It has the greatest depth of technical experience and because it is not having to start entirely from scratch with new, high investment factories, should have more elbow room in the price war which will undoubtedly develop. But everyone acknowledges that the future is going to be very tough.

Rover will shortly be joined in this country by Stonefield Developments, which is now in the pre-production stage at a factory near Kilmarnock. Two basic models, a 4x4 and a 6x4 will start coming off the assembly lines in mid-summer, with production planned to rise to a rate of 2,000 a year by the end of next year. They are complementary to rather than competitive with the Rover range. The company in which the Scottish Development Agency has a 49 per cent. interest, will be able to benefit from the expert guidance of Mr. Bernard Jackman, former Rover managing director who has just been appointed chairman of Stonefield.

P.C.

Racing developments

STANDING BY a rutted forestry track at dead of a winter's night, miles from anywhere in the Yorkshire Dales and with snow settling on the ears, prompts thoughts that motor sport breeds a special kind of lunacy among its followers.

But each year, at the end of November, enthusiasts in their tens of thousands forsake bed, wife, kids and dog for noctural excursions into remote parts of the Dales, Scotland's forests and the Welsh mountains to watch the high-speed touring circus which is the RAC Rally.

Similar scenes are witnessed all over Europe. Spectators cling to the cols in their thousands during the January nights of the Monte Carlo Rally, brave drifts of snow to watch the Swedish Rally in the depths of February and endure choking dust on Greece's Acropolis Rally.

With enthusiasm of this sort —2m. people are estimated to watch the RAC Rally at one stage or another—and with 12 events on the World Rally Championship calendar, 49 European Championship events and literally hundreds of lesser, national status events now taking place throughout Europe, it is not hard to see why rallying in particular has gained increasing attention from manufacturers both as a marketing weapon and as the birth-place of new products.

At the same time, motor racing is seeing something of a revival in its fortunes since the depressed months following the 1973 oil crisis, although two clear trends towards change have become discernible. At the sport's most senior level, Formula One Grand Prix has undergone 11 years of development along a path which has increasingly divorced it from the main stream of automotive technology. Now it faces a major reassessment of its specifications before an all-new formula is introduced in 1982 which could well see a fuel-consumption criterion as one of its major features.

At the other end of the spectrum, saloon car racing has seen a move away from highly-modified specials towards the "production"—that is, showroom specification, plus safety equipment—class, and "Group 1" and "Group 2" classes, the last two being in more powerful states of tune but still bearing a close visual resemblance to the car the man in the street drives.

It is into the last classes of racing that manufacturers are injecting increased amounts of money, with the same kind of rationale which applies to rallying: it helps to sell a lot more cars.

Crowding

Recently, the motor sport bandwagon has become crowded, with virtually every major European and Japanese manufacturer participating in one form or another. And it has spawned a new breed of cars: from Ford, the Escort RS 2000, which at £4,200 and with a 110 mph potential is an Escort in name only; from Fiat, which has just launched its Supermirafiori, a twin-overhead camshaft saloon which is a close relative of the cars which last year won Fiat the World Rally Championship and from Renault, the diminutive and spectacularly fast 5 Alpine, now selling so well in France as a result of its second and third placings behind Porsche on this year's Monte Carlo Rally that plans to market the car in the U.K. this year have had to be shelved.

There are others: Vauxhall's HS2300, a 2.3 litre roadgoing version of the company's much-respected Chevette rally car at last shows signs of coming on to the market, albeit in very limited numbers and with a price tag of around £5,000. Simca some weeks ago came out with the 1000 Rallye 3, at 103 brake horsepower version of the boxy little rear-engine design which has been around for two decades and which, with the 5 Alpine and Peugeot's tiny 1042S coupe, is fulfilling the role for young Frenchmen which Leyland's Mini Cooper S played for young Britons 12 years ago.

To a great extent, rallying has become the preserve of the large manufacturers, who are able, and recently have become more willing, to spend the large sums involved in developing and running teams of the necessary standard to stay with what has become a fierce level of competition. An Escort, built to "works" standard, say, looking like a "normal" Escort but packing perhaps four times the power and with extensive suspension modifications and body strengthening, would cost £11,000 or so—if it could be bought. A team of four cars might use a dozen or more service vehicles, each with its complement of mechanics. Literally hundreds of tyres are carried and two-way radios and helicopters are all part of the scene.

Fiat, now probably the biggest spender on motor sport through its Fiat, Lancia and Ferrari rally and race teams, has also equipped a special Press bus, with hydraulically-operated expanded sides, telex and other facilities for the international corps of journalists which now regularly covers the large European events.

There is no doubt that the manufacturers think the game is worth the candle: market research has led Renault—whose own motor sport expenditure is now over £2½m. a year—Ford and others to conclude that up to 60 per cent. of new car private buyers are influenced in their choice of car to some extent by a manufacturer's sporting record.

To encourage the trend, numbers of manufacturers have launched their own championships for single makes: Leyland runs a national "Mini challenge"; Ford, racing and rally championships for its Escorts; Porsche for its highest volume car, the 924; Mazda for its hatchbacks and Renault for its 5s. Such events now form a basic part of motor sport programmes throughout Europe.

Apart from promotional benefits, there has been a cumulative amount of technical spin-off which has worked its way through to the production line. The time pressures of changing components in the heat of an event have wrought design changes which cut maintenance costs on the ordinary roadgoing car; great strides have been made in tyre technology as a direct result of competition, notably the low-aspect ratio tyres which are now working their way into the market.

Brake and clutch linings and oil technology are two other significant areas in which advances directly linked to competition have been made.

But it is in the higher echelons of motor racing that technical advances of potential significance to the mass car market appear most likely to come. The first generation of viable turbo-charged cars has already appeared, from Porsche, with its 911 version, TVR with its Taimar Turbo and most recently, and most significantly, Saab with its 99 Turbo which, with a price tag of £8,000, is the nearest yet to a volume-production turbocharged car.

But Porsche, whose competition budget in 1976 was DM4½m., or 0.5 per cent. of total turnover, does appear to have established something of a technical lead in the field. Its specialised Group 5 World Championship of Makes 935 cars boast twin turbo charges and over 600 horsepower with well-proven reliability from 3 litres, and there are reports of a new car to come with an output some 50 per cent. higher.

Efficiency

With its modern technical development centre at Weissach, which also acts as a profit-making R and D operation for outside interests, Porsche could well play an important role in the emergence of smaller, high-output and fuel-efficient turbo engines with volume applications for the 1980s.

It is the turbo which threatens to bring the biggest upheaval of all to Formula One racing. Late last season, Renault set the Grand Prix world on its ear when it turned out a 1½ litre turbocharged car to take on the conventional 3-litre units of its rival teams. So far it has proved powerful, but not particularly reliable. But Renault now think they have the reliability problem licked; the proof of which will come when four sports cars with similar engines take on the might of Porsche in the 24 Hours race at Le Mans in June.

Renault decided to enter Formula One for two reasons: as part of its image-boosting exercise, and for the technical spin-off from turbo development for possible application in a future generation of road cars.

But its entry into Formula One has come at a time when those most closely involved have started to question quite where the Grand Prix "circus" is going. It has now become a self-contained operation, financed largely by commercial concerns and notably, the tobacco companies, which themselves may be forced to drop out at some stage as governments' anti-smoking legislation puts ever tighter controls on tobacco promotion. Grand Prix engines, until Renault's turbo, in recent years have had no contribution to make in the evolvement of production engine design.

They are high-revving and heavy fuel consumers, and for reasons such as these the formula's most successive engine designer, Mr. Keith Duckworth, of Cosworth Engineering, has suggested it is time to reassess priorities with a view to improving the sport's image in an energy-conscious world, and, as he put it in a recent speech, "to take a step back to the engineering grass roots."

He has called for the new formula for 1982 to be based on a limitation on the fuel supply to an engine. This, he believes, would allow designers to "produce engines which get the maximum amount of power from a minimum amount of fuel burnt so that development in racing engines will be useful for normal road-going vehicles and other power plants." The current engines he describes as "extremely interesting . . . but of no practical value whatsoever and they will become progressively less defensible as world resources of oil diminish."

If his suggestions for 1982 are adopted, Grand Prix could once more be back on the road to becoming what many regard as its more legitimate role: as a technological test-bed for the industry, as well as an entertainment.

John Griffiths

A question of economy

FOR MOST of the post-war period in this country the average motorist has been concerned with the thirstiness of his car. "How many to the gallon do you get?" has been a familiar early question whenever a proud owner has introduced his latest motoring acquisition into the conversation.

And if that figure was under 30, there would be a little whistle and an askance look as the listener scored a jealous point. If the car were a large one then its under-20 to the gallon performance was elaborately shrugged off with a touch of bravado or some nonsense about the engine going on for ever and therefore repair bills were negligible.

But on one point there was agreement. However bad you were you could never be as bad as the Americans with their abiding love affair for the 5 to 7 litre vee-eights soft-springing their way along hundreds of miles of blacktop consuming vast quantities of refined Texas tea.

And then along came the oil price rise of 1973-74, energy conservation and a campaign to make all feel guilty about over-indulgence. And with that came the decision to force the U.S. automobile industry to improve the overall petrol economy of the fleet of cars it offered. The move included the importers, of course, but, apart from those manufacturers which only make exotica erotica or, like Rolls-Royce, the stately carriage, most European manufacturers, including those which are U.S.-owned, would have little difficulty in meeting the requirements.

Average

Under the present plan U.S. motor manufacturers are expected to improve the average miles per gallon delivered by their fleet from 18 miles per gallon this year to 27.5 miles per gallon in 1985-86.

And that is not all. At the same time they will probably have to meet increasingly rigorous safety standards which mitigate against weight saving which is also cost saving, and emission controls which make the air cleaner but the engine less efficient could also be made tougher.

The industry has already sought to save weight in order to save fuel by introducing compact and sub-compact cars and by reducing the weight of the more traditional-size American models. But there comes a point where the continued reduction will rely on the use of more expensive alloys and the consumer will then be paying dearly for the bee in Washington's environmental bonnet.

So far the home producers have done well in their fight against importers, although at times the import share of the U.S. market has crept up to over 19 per cent. But the basic strength of the two big volume producers, General Motors and Ford, are still worth a bet that they will win in the end.

And both have strong European arms, Ford the more so, on which they can rely for whole cars, components, and engineering expertise. This has allowed the industry to continue its traditional stance of uncompromising competitive rivalry in the market place while at the same time jointly complaining to the administration that its demands are being forced through too quickly and, in some cases, unnecessarily.

On the other hand the conservationists argue that the big stick has been very effective and the results which have been achieved would never have come about if it had been left to the manufacturers to make up their minds.

Since 1974 General Motors has raised its fleet average from 12 to a predicted 18.7 miles per gallon for the 1978/9 model year; Ford from 14.2 miles per gallon, and Chrysler from 13.7 to 18.8 miles per gallon.

All have used the same techniques. These include substitution of plastics and alloys for steel and the trimming of some specifications like doors and seats.

At the same time all three are able to introduce European cars into their fleets. GM has the Chevette, Ford the Fiesta and others, and Chrysler will have the Horizon and Dodge Omni.

There are also two other important routes open to them. One is improved efficiency from the petrol engine; the other improved performance from the diesel engine. Nor are they the only ones to be working feverishly on this problem.

Much of this work is being undertaken in Europe, while the Japanese have emerged as a world force in the building of small diesels.

In many ways cars have been curiously slow to develop since the pioneering days of the beginning of this century. Certainly they are now more reliable, usually more comfortable, probably more safe and perhaps easier to drive.

On the other hand they have developed more through modification than revolution and there are those who would say that they are not as well constructed now as they were. The suck, squeeze, bang blow type of engine is still very much with us although the business of getting the mixture into the pot and the detritus out has been made more efficient.

In general, however, internal combustion engines are a very mature product and attempts to change, like adapting to rotary or turbine engines have found little success so far.

Admittedly Ford has recently announced it will back with $50m. a research programme into the development of the Stirling engine but it should not be forgotten that this external combustion process was designed by a Presbyterian minister in 1816.

In tests so far it has shown fuel savings of 30 per cent. and even greater cuts in exhaust emission, and it can burn other fuels than petroleum.

Injection

More immediately much work is being done on improving fuel delivery and ignition in the cylinders. Major electrical companies are experimenting with electronic injection to give a controlled and far leaner mixture than can be achieved by a conventional carburettor and this, in turn, can be linked to an electronic ignition system which is already in use on some cars.

So at long last some real effort is being made to make the petrol engine much more economical and therefore efficient in terms of energy conservation than it has been in the past when complacency coupled with ready supplies of cheap oil meant that there was little motivation for big money to chase clever ideas on the fuel economy front.

But that has changed. Recent spending plans of $2.5bn. by Ford in 1978 were influenced in no small way by the need to chase fuel economy. For behind the automotive industry is the big stick of penalties for failure to comply with the miles-per-gallon requirements.

A substantial part of that vast sum is to be spent making sure that Ford does not incur the $5-a-car penalty for each one tenth-of-a-mile-per-gallon shortfall on the 1980-81 target.

Nearer home the Department of Energy in the U.K. recently introduced a labelling scheme for new cars which requires an official fuel consumption figure for urban driving and another for a constant 56 miles per hour. A third, optional figure, gives an indication of consumption at normal maximum motorway speeds.

Not everyone is convinced that the tests have been completed in the best possible way, but the Department is convinced that they will be useful enough to ensure that the public looks more closely at economy.

The new figure must be included on all sales literature as well as a tag on the car itself and failure to display the information will lead the manufacturer or dealer liable to a fine of £400. No comparative information is required and the leaflets giving the rundown of results on all models will not be generally distributed.

But the dealer must have one available for the customer to look at, they will be at town halls and citizens' advice bureaux, and the public can make written requests for personal copies.

But the emphasis in the U.K., and throughout Europe, is on a mixture of economy and performance and the consumer seems unwilling to give up some measure of performance, even at the expense of an economy drive that has been well publicised for many years now.

Nor does there seem to be any change on the preference of those that can afford them for more luxurious, more powerful cars.

Arguments continue over whether there should be differential excise taxes reintroduced for large cars, or whether the extra taxation paid by the man who buys more petrol is enough. And there are those who say that with careful tuning and maintenance plus a light foot on the accelerator then a 10 per cent. improvement could be achieved overnight.

The fact is that different driving conditions and different drivers will lead inevitably to widely differing performance: and there is little likelihood of the puritan spirit invading the motorist's heart to the extent that we will all give up any warmth and luxury and cheerfully add a half hour to our journey times.

So the donkey of the motor industry will continue to be beaten by the governments and the "environmental" groups while the public dances in front waving the carrot of sales preference.

Stuart Alexander

LOMBARD

Relieving the local rates

BY COLIN JONES

A RADICAL re-casting of the financing of local government services, reducing household rates bills by well over half and taking the Conservatives off the hook of their pledge to abolish domestic rates in their present form, sounds a pipe-dream. It has been proposed in all seriousness in a Bow Group pamphlet by Mr. Roland Freeman, a former GLC, ILEA, and Wandsworth finance chairman, and one of the Tories' local government finance authorities. His ideas may strike one as being too sweeping taken as a whole; but at least one of them—making rates tax deductible for all—is being seriously looked at by the Conservatives.

Logical

Mr. Freeman has never let the fact that he sits on the GLC for Mrs. Thatcher's constituency deter him from being an early and constant critic of her pledge to do away with domestic rates—on the grounds that there is no alternative to property as a local tax base. A local income-tax, favoured by the Layfield committee, would cut across Tory plans to reduce direct taxation and would be an administrative monstrosity; while a local sales tax, which many Conservatives instinctively favour, is even more impracticable. The courses that are left are either to pursue centralism to its logical conclusion and rely wholly on government grants for local finance (which Mr. Freeman says has some Tory adherents); or to re-shape the system as to reduce rates burdens and the hardship and sense of injustice they create.

This could be done, Mr. Freeman says, by distinguishing between local services which are nationally supervised and those which are not. Education—a national service since the 1944 Education Act—should be financed by a 100 per cent. Exchequer grant and personal social services by a 60 per cent. grant. Both should be transferred from the shire counties to the districts, making them lower-tier responsibilities throughout the country. The counties would retain responsibility for police, fire, transport, and structure planning and should be financed entirely by grant, becoming like the Scottish and Welsh Assemblies "directly-elected local government organisations" (DELGOS), or a cut above regional health authorities and other quasi-autonomous national government organisations (QUANGOS).

The county precept would have gone. As education, social services, and housing, the three biggest items in local budgets, would be largely grant-financed the remaining district services could be financed out of a much reduced domestic rate call—plus the business rate which levied at a national poundage, would be pooled and re-distributed to districts so as to even up local disparities.

Because the end of the free market in rented housing is making it impossible to go on using rental valuations as the basis for assessing residential property, rating assessments would be based either on capital values—the method favoured by the Inland Revenue, Layfield, and, it seems, by Mr. Freeman—or (as the Conservatives are against using capital values) on the basis of "square metres of habitable space," another idea which has been around for some time. Finally, so as "to demonstrate clearly that non-ratepayers are contributing through national taxation towards local services which are otherwise unaided by central funds," the new district rate should be paid net of tax at the current basic rate (34 per cent.) and the difference recovered by councils from the Exchequer.

Clearer

The drawbacks in all this are obvious—a major erosion of local autonomy at county level, a substantial increase in Exchequer financing (probably close on £2bn. a year at to-day's figures), and a more regressive rates structure if assessments are based upon habitable space. In spite of Mr. Freeman's hopes, too, the distribution of grant and the pooled business rate would still be open to manipulation for political purposes.

However, the merit of his approach is that by distinguishing between local services which are essentially national and those which are essentially local, the financing of local councils could be simplified and the responsibilities of Whitehall and town hall made clearer. Rates are a problem, first, because the growth of local services has so outgrown the capacity of the rating system that grant finance has become dominant, and responsibilities have become hopelessly confused; and, secondly, because the basis of the present rating assessment system is becoming increasingly untenable. Mr. Freeman's pamphlet shows that at least one major party is debating the implications.

"The Rates Riddle," by Roland Freeman, Bow Group, 60p.

The best times to prune the clematis

GARDENS TO-DAY

BY ROBIN LANE FOX

HOW DO you prune a clematis? In mid-March, the question stares all gardeners in the face *as the shrivelled top growth on* those supports of wire netting begins to be replaced by new silky buds at the plant's base. It must, then, be correct to cut out the dead remains of last year's growth. If it is correct to do this to a Nelly Moser, why not to a young May-flowering Montana and the small-flowered autumn viticella varieties too? But one variety is not like another and you must be sure which group your clematis belongs to.

First, a word for those who write to say that they would like clematis on their dead elm-stumps or among the branches of an ageing tree. Some will indeed grow well here, but you have to be sensible. The most impressive show comes from a large-flowered variety trained on to wire-netting over a low dead stump. The big flowers will lie flat on the stump's surface, open-eyed as you look down on them and their support of widely-meshed wire. It would be worth choosing varieties which are not too vigorous so that they would not sprawl beyond the stump. Bess Jubilee, a deeper sort of pink-barred Nelly Moser, *is one of the less strong varieties* which I think most desirable. But you must remember that your clematis will refuse to compete with rough grass or with shoots off a stump whose roots are still alive and drawing food. Against the grass, you should clear a circle about three feet wide and keep it free from all intrusions. You should keep the ground well manured.

Against the living roots of a stump, you can only plant your clematis some several feet away from the stump's base and allow it to run forwards before climbing over the hump. This is none too convenient, and naturally the less vigorous sorts of clematis are not suited to it.

You must also decide how best to cope with the grass and so forth which lies between your clematis and the stump. It is best, I think, to burn it off altogether with a herbicide (casoron D, at this time of year), but it is none too pretty. Of the various chemical stump killers, there are mixed reports, probably varying with the thickness and toughness of the stump. All suckers and side-growth can be poisoned yearly with doses of the admirable SBK brushwood killer. A large dose of poisonous sodium chlorate can also be packed into the heart of the stump, if you cut a deep notch to receive it. Sometimes, this is wholly effective, but one cannot guarantee it. Consider the size of the root-run which you have to kill, and do not be surprised if you fail.

As for clematis in trees, I have never forgotten large curtains of white Montana swinging low, like creepers in Tarzan's jungle, off a line of tall pines in a sheltered Irish garden. If you plant a clematis far enough away from the tree-trunk (as for the living stumps, above) and if *you lead it up a pole directly into* the lower branches, without a detour to the trunk at all, you will give it the best chance. Choose the most vigorous smaller-flowered varieties, Montana first among them, but do not hope to grow showers of pale blue Mrs. Truax from an apple tree or swags of the other large-flowered varieties. On the whole, these are not so vigorous that they show through a tree's branches. Best to try the wilder species first.

Now for the pruning. There is one crucial fact to remember. If your clematis or indeed, your anything whatsoever, flowers in spring, before mid-May, let us say, you must never prune it in March when you take out the secateurs for their first spring airing. Pruning and season of flowers are two related facts *which* gardeners often fail to associate. Clematises Armandii, Macropetala, Montana and so forth can be hit very hard as soon as they have flowered. But if you delay till the autumn, that is bad enough. To cut them in spring is ghastly, for it is merely to remove the flowers which await you. By hitting them hard in late May, I do not mean that you should cut them right down to the ground. Shorten the side-branches, cut them away from windows, doors, gutters and so forth. But wait until they have flowered.

Conversely, those which flower in the late summer and autumn, the Viticella varieties and such old friends as the violet-purple Jackmanii and lovely Perle d'Azur, can be cut back now to a mere two feet from the ground. No doubt you will be throwing away top-growth which has already begun to sprout. But more will replace it, off which the plant will flower most freely. You will also be keeping a better shape.

What, then, of those in the middle, the late May-June flowers? Here, there are different schools of thought. Some will tell *you to* leave them alone, easy advice but advice which leads you to an ugly tangle after four or five years. I side with the others who tell you to thin out all obviously dead growth by mid-March and to train the younger shoots into their place. These will often have to be unravelled. If this scares you, you can prefer to do nothing. If the unravelling attracts you, cut your Nelly Moser or Lasurstern back only as far as the first new pair of young buds on each stem. Forget the seductive advice on cutting down all clematises to two feet above the ground. Mostly trim back to a pair of young leafbuds.

Too complicated? Not if you approach each plant with its flowering season in mind. On this alone they divide, and it is the most memorable fact about them. Only the autumn-flowerers actually require attention now. You could, in fact, leave all the others alone. But if pruning seems hard-hearted, remember throughout that it encourages the clematis's growth to bear flowers and thus relates to the final size of their crop. It spaces the flowers, at times enlarges them and multiplies their number. So it is a job worth *doing* well.

Night Nurse can land Champion hat-trick

RACING

BY DOMINIC WIGAN

IF HE can land a third successive Champion Hurdle to-day and equal the post-war records of Hatton's Grace and Sir Ken, who both achieved hat-tricks in the period from 1949 to 1954, and Persian War (1968-70 inclusive), Night Nurse is certain of a hero's reception at Cheltenham.

The Falcon gelding has a stiff task to-day in the race sponsored by Waterford Glass, and although no harder than the one he surmounted 12 months ago, two factors could turn the tables against him.

Firstly, Night Nurse has this season, except once, looked and performed a few pounds at least below his best form of last season, and secondly, Paddy Broderick, now retired, will not be driving the Easterby seven-year-old home.

Colin Tinkler, one of the most proficient jockeys, is sure to give Night Nurse every chance, but he is new to him. I would much rather have seen Broderick who knows the Northern gelding well, in the saddle again.

Although Jonjo O'Neill has opted for Sea Pigeon, and Bird's Nest's claims are there for all to see, I believe Monksfield could be the one they all have to beat.

This Gala Performance horse, the two-length runner-up to Night Nurse in last year's race, has been having an easy time and probably comes to the meeting fresher than his opponents.

If he can improve a few pounds on his third-place to Prominent King in the Erin Foods Hurdle at Leopardstown, where he was having only his second race in 3½ months, Monksfield will be hard to beat.

At anticipated odds of about 8-1, the County Meath six-year-old, bidding to become Ireland's first Champion winner since Winning Fair in 1963, appeals as the race's most attractive each-way bet.

Two other likely winners for Ireland are Golden Cygnet, unbeaten in four outings this season, and Straight Row, the winner of his last five races.

One event I do not see going to the invaders is the Waterford Crystal Stayers' Hurdle. Here the Gambling Debt chestnut, Gambling Prince, recovered from a pulled vertebra, can spring a surprise by outpacing John Cherry.

CHELTENHAM
2.20—Golden Cygnet*
3.05—Straight Row**
3.40—Monksfield e.w.
4.15—Gambling Prince***
4.50—Happy Warrior
5.25—Shane's Castle

TEESSIDE
1.45—Blessed Boy
2.45—Waite
3.55—Dusky Dale
4.25—Bitter End

Commerce ties at League club

SECOND DIVISION Notts County are believed to be the first Football League club to apply to join a chamber of commerce. Mr. Dennis Marshall, the club secretary, explained: "It's only right that the club should be part of the local activities and membership of Nottinghamshire Chamber of Commerce will give us a platform. . ."

County, founded in 1862, is the oldest professional club in English football.

TV/Radio

BBC 1

6.40-7.55 a.m. Open University. 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.00 Racing from Cheltenham. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 a.m.) 4.20 Touché Turtle. 4.35 Jackanory. 4.40 Screen Test. 5.00 John Craven's Newsround. 5.05 Grange Hill. 5.35 Ludwig.

5.40 News.
5.55 Nationwide (London and South-East only)
6.20 Nationwide.
6.50 The Wednesday Film: "Dodge City" starring Errol Flynn and Olivia de Havilland.
8.30 The Liver Birds.
9.00 News.
9.25 The Hong Kong Beat.
9.55 Sportsnight.
11.15 Tonight.
11.55 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales — 2.18-2.38 p.m. For Schools. Hwnt ac Yma (10) Y Darganfyddiad. 5.05-5.35 Bilidowcar. 5.55-6.20 Wales To-day. 6.50 Heddiw. 7.10 Young Musician of the Year. 7.40 The Rockford Files. 8.30-9.00 The Liver Birds. 11.55 News and Weather for Wales.

Scotland—11.00-11.20 a.m. and 2.18-2.38 p.m. For Schools. 5.55-6.20 Reporting Scotland. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.25-9.55 Spotlight on Northern Ireland affairs. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
10.20 Gharbar.
10.45 Parosi.
11.00 Play School.
2.15 p.m. Racing from Cheltenham.
4.55 Open University.
7.00 News on 2 headlines.
7.05 Educate, Agitate, Organise!
7.30 Newsday.
8.10 Brass Tacks looks at an issue of the moment.
9.00 It's Patently Obvious.
9.30 Play of the Week.
10.50 Arena: Art and Design with Carl Andre; Madame Stravinsky.
11.25 Late News on 2.
11.35-11.45 Closedown: Hugh Dickson reads "The Mosquito" by D. H. Lawrence.

LONDON

9.30 a.m. Schools Programmes. 12.00 Cloppa Castle. 12.10 p.m. Rainbow. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Hadleigh. 3.20 Paint Along With Nancy. 3.50 Couples. 4.20 How. 4.45 Pop Quest. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 The Streets of San Francisco.
9.00 Send in the Girls.
10.00 News.
10.30 This Week Special: Lord Armstrong, Joe Gormley, Mick McGahey, Len Murray, and Cabinet Ministers talk to Llew Gardner about the winter of 1973-74.
11.30 World Snooker: The Ladbroke International.
12.00 Night Gallery.
12.25 a.m. Close: Geoffrey Hinsliffe reads a poem by Rabindranath Tagore.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 8.00 Rafferty. 11.30 Baretta. 12.25 a.m. Christians in Action.

ATV

1.20 p.m. ATV Newsdesk. 5.15 Mr. and Mrs. 6.00 ATV Today. 8.00 Quincy. 11.30 Drive-in.

BORDER

1.20 p.m. Border News. 2.00 Houseparty. 5.15 Out of Town with Jack Hargreaves. 6.00 Lookaround Wednesday. 8.00 Rafferty. 11.30 Motorway File. 12.00 Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's on Where. 6.00 Channel News. 6.10 Report at Six Special—That Man Matchen. 8.00 Rafferty. 10.28 Channel Late News. 11.30 Oscar Peterson Presents. 11.55 Epilogue followed by News and weather in French.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 6.00 Grampian Today. 6.30 Police Newsroom. 8.00 Rafferty. 11.30 Reflections. 11.35 Celebrity Concerts: Paul Williams.

GRANADA

1.20 p.m. This Is Your Right. 5.10 This Is Your Right (second chance to see Lord Winstanley's programme). 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 8.00 Rafferty. 11.30 The Untouchables.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 5.15 Dodo, The Space Kid. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Havoc. 8.00 Rafferty. 11.30 Celebrity Concert.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.00-6.30 Report West.

SCOTTISH

1.25 p.m. News and Road Report. 2.00 Women Only. 5.15 Pipet and Friends. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Weir's Aweigh. 8.00 Rafferty. 11.30 Late Call. 11.35 Police Woman.

SOUTHERN

1.20 p.m. Southern News. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day: Wednesday Extra. 11.30 Southern News Extra. 11.40 Police Surgeon.

TYNE TEES

9.20 a.m. The Good Word followed by North East News Headlines. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 8.00 Rafferty. 11.30 Drive In. 12.00 Police Surgeon. 12.30 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Dynomutt the Dog Wonder. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 8.00 Rafferty. 11.30 It's On Record. 11.45 Make It Count, followed by Bedtime.

WESTWARD

12.26 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 8.00 Rafferty. 10.28 Westward Late News. 11.30 Oscar Peterson Presents. . . . 11.55 Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 8.00 Rafferty. 11.30 Moon Movies. 12.00 Handle with Care.

RADIO 1 247m

(S) Stereophonic broadcast
(Q) Quadrophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn from Rutherglen. 4.31 Dave Lee Travis including 5.30 Newsbeat. 7.00 Sing Something Simple (S) (joins Radio 2). 8.00 As VHF. 10.02 John Peel (S). 12.00-12.05 a.m. As Radio 2.

RADIO 2 1,500m and VHF

VHF Radios 1 and 2—6.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 8.00 Listen to the Band (S and Q) (continued: see Radio 2, 7.30). 8.15 Semprini Serenade (S). 9.02 Bing, part 11: The Family Man. 9.55 Sports Desk. 10.00 With Radio 1. 12.00-12.05 a.m. With Radio 2.

6.00 a.m. News Summary; Weather. 6.02 Ray Moore with The Early Show (S), including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.05 Sports Desk. 2.30 David Hamilton (S) including 2.45 Sports Desk. 3.05 Arkle Challenge Trophy 'Chase. 3.40 Waterford Crystal Champion Hurdle and 3.50 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 Nick Page (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 Listen to the Band (S and Q) (continued on VHF). 8.00 European Soccer Special (200kHz only, 1464kHz as VHF). 9.30 Join VHF. 9.55 Sports Desk. 10.02 The News Huddlines. 10.30 Malcolm. 11.02 Brian Matthew with The Late Show. 12.00-12.05 a.m. News.

RADIO 3 464m, Stereo & VHF

†Medium Wave only

†6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: John Bull (S). 9.35 Music-Making From Belfast (S). 10.35 Organ Music (S). 11.20 Bournemouth Symphony Orchestra, part 1 (S). 12.15 p.m. Interval Reading. 12.20 Concert, part 2. 1.00 News. 1.05 Concert Hall (S). 2.00 The Exotic Sound Of . . . The Aeolian Harp. 2.05 Youth Orchestras of the World (S). 3.05 Solo Cello Recital (S). . . . and Beethoven piano recital . . . Building a Library of records . . . Homeward Bound. . . . Homeward Bound (continued) . . . lines: Language and Communication . . . Mozart clarinet quintet on record . . . 8.00 BBC Symphony Orchestra, part 1: Brahms (S). 8.50 The Arts Worldwide. 9.10 BBC SO, part 2: Shostakovich (S). 9.55 Makers of Modern Myth (talk by Stephen Reno). 10.20 Mass for the Feast of St. Michael the Archangel (S). 11.25 News. 11.30-11.35 And Tonight's Schubert Song on record (S).

Radio 3 VHF only: 6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today including news headlines, weather, papers, sport. 8.45 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 My Dear Music. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Bestseller. 11.50 Tales and Legends of the Highlands. 12.00 News. 12.02 p.m. You and Yours. 12.27 The Enchanting World of Hinge and Bracket. 12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (1 from 2.00) including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 The Black Panther: The Story of Donald Neilson, murderer. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Hitch-hiker's Guide to the Galaxy (S). 11.00 A Book at Bedtime. . . . 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Holiday Scene. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town (as 11.03 a.m.). 8.30 In Concert. 10.03 Late Night London. 12.00—Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 A.M.: non-stop news, travel, sport, reviews, information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'clock Call. 8.00 After 8—with Ian Gilchrist. 9.00 Nightline. 1.00-5.00 a.m. Night-Extra with Adrian Scott.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 p.m. Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Your Mother Wouldn't Like It with Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,618

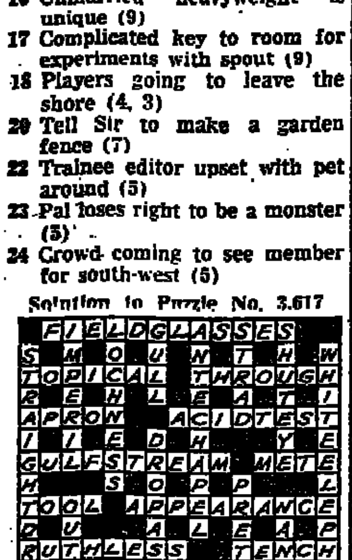
ACROSS

1 Underworld boss meets his match (7)
5 Does a bird love to appear in the duty list (7)
9 Such a doll for goodness (5)
10 Aspiration beyond reach of puffer (4, 5)
11 Fashionable company takes on a railway centre for patient care (9)
12 Cockney institution Georgia considers the end (5)
13 Man of the match (5)
15 Broke into solution (9)
18 Thread strong drink into machine for separating seeds (6-3)
19 Certainly old-fashioned way for producing ferment (5)
21 Footwear given a beating (5)
23 Complete reckoning of music for all parts (4, 5)
25 Some spare time of strange importance (3,6)
26 Benefit obtained from article against trouble (5)
27 Fool with hangover symptom (7)
28 Part of Bible appearing in instalments (7)

DOWN

1 Protection from frost while doing time? (7)
2 Depressing to face sign of bad weather (4, 5)
3 Fish and chip seller sounds an orderly man (5)
4 Cancellation over sound of bells (9)
5 Salesman certainly has to give money back (5)
6 Charles II long past going over mile at Newmarket (3, 6)
7 Those people point to subject (5)
8 Swindle by worker is running unchecked (7)
14 Sound of heavenly body in early detective novel (9)
16 Unmarried heavyweight is unique (9)
17 Complicated key to room for experiments with spout (9)
18 Players going to leave the shore (4, 3)
20 Tell Sir to make a garden fence (7)
22 Trainee editor upset with pet around (5)
23 Pal loses right to be a monster (5)
24 Crowd coming to see member for south-west (5)

Solution to Puzzle No. 3,617



Television

Getting it almost right by CHRIS DUNKLEY

BBC-2's 1½-hour debate on *The Question of Immigration* is to be applauded. It is to be applauded in the same spirit as the Italian audience applauded the inexperienced tenor with an English touring company, who finished his first Verdi aria a bag of nerves only to be amazed by shouts of "Encore!" and "Bis!" and "Ancora!" Delightedly giving an encore he was met with an even louder reception. When this had happened four times he gave a modest smile and announced that the opera would have to continue: "I really cannot sing the aria again." At this an Italian voice from the stalls called "You sing it again, and you go on singing it until you get it *right*."

Though it has been having the occasional go at these giant current affairs debates for some years now (remember the fuss over *The Question of Ulster?*) the BBC has never really got them right. Yet their intentions are surely to be welcomed: even if the vast majority of the audience does want to use television solely as an undemanding means of relaxation after a day's work, it would be shameful if such an extraordinary medium were restricted to the soap operas, featherweight comedies and American police series which comprise the Top 10. A serious debate may be of only "minority" appeal, but with television a minority audience often runs into millions.

When a subject causes as much interest and outcry as racial prejudice has in this country recently, it is absolutely right that television should attempt to provide a discussion in which as many as possible of the attitudes held by different sectors of the population are represented.

Personal experience and other people's research both suggest that the most common effect of such programmes is to reinforce the convictions and prejudices of those watching: we tend to indulge selective perceptions which leave us at the end of the programme remembering those participants and arguments which supported our original views, and conveniently forgetting the rest.

On the other hand civilised public debate can be one of the quickest and most effective ways of changing minds, as any honest person who has regularly taken part in debates will admit. Having one's own beliefs or feelings expressed in public and then hearing them endorsed or refuted is a very effective way of clarifying attitudes.

Sometimes it is the very experience of listening to the expression of what you had always thought were your own views by someone you had always assumed you agreed with that finally makes you realise that it is not really what you believe at all.

In an often chaotic and confusing way "debates" on subjects of national importance proceed incessantly in pubs and offices all over the country. All the more reason for television to formalise its proceedings and attempt, by means of a firm chairman and carefully chosen participants, to avoid the endless argumentative circles of the office discussion and to arrive at some sort of synthesis—or, almost as usefully, antithesis—so that we can watch and decide whether we still agree with our own opinions.

John Dekker's *Question of Immigration* clearly appeared to be aiming at all this and should, I repeat, therefore be applauded. But it did feature all sorts of errors.

The first and one of the worst was to build a misnomer into the title. Whatever the main question under discussion was, it certainly wasn't immigration. Some would say it was colour prejudice, some that it was irrational fear, and others that it was deportation. Chairman Robin Day made clear that the euphemism was recognised when he self-righteously told one participant who protested about hypocrisy that he himself had spoken throughout about *coloured* immigrants.

This alone would seem to have proved the questioner's point, but Day's response was characterised by the deliberate obtuseness which he so often calls in aid as a delaying tactic when someone questions his own conduct of one of these sessions.

I admire the guts and persistence which Day introduced into the interviewing of politicians on television; many have copied him since, but he started alone. Yet it must be said that nowadays, for occasions of this sort, he can be irritatingly pompous, long winded (because pedantic) in his questioning (which often assumes greater importance than the answering), and at times almost laughably supercilious.

To the irate and hitherto ignored Camden councillor who burst passionately into the discussion near the end, Day—after taking a long time explaining how little time there was—made it very clear that he was jolly lucky even to have been allowed to watch; that it was Day's game, the BBC's marbles, and he had been warned that his role might never exceed that of onlooker.

This kind of attitude means that discussions end with the studio exuding a strong feeling of grievance, *hostility*, and frustration which can be sensed very powerfully by the viewer at home. It is almost as bad as the mischievous adversary system in which the television chairman reduces two opponents to glowering sulks, one staring at the left hand studio wall and the other at the right, while he trills away closing the proceedings with some cheery nonsense about agreeing to differ.

Other questionable aspects of *The Question Of Immigration* were the disproportionately long time given to the already well known views of parties and politicians, the ease with which Enoch Powell was always allowed to get away with such loaded phrases as "manageable numbers," and—by no means least—the persistent noise as of booming surf caused by microphone stands being kicked: quite enough to drive you over to the first of Paul Watson's remarkable BBC1 series *The Breakaway Girls*.

Which is not to suggest—unfortunately—that this column is about to reveal some brand new foolproof method of mounting current affairs discussions on television. There are no brand new foolproof methods. After 35 years of television, with three channels running simultaneously day and night for the last 14 years in this country, it would be absurd to expect that somebody could suddenly discover or invent a completely new system.

When people set out deliberately to create a new method they invariably produce some bastard form such as the *Brass Tacks* mixture of drama and discussion which looked interesting but turned out to be providing mediocre drama and mediocre discussion; or the rigid formula and timetable of *The Man Alive Report* in which you can guarantee that any really interesting discussion will be stopped dead by a presenter with the words "But now let's take a look at..."

It was encouraging to see in last week's *Brass Tacks* that the programme had gone back to the essentials—discussions—but discouraging to see some wicked old trick being practised. For instance, investigating the question of equal opportunities, rights, pay, and treatment for women, the programme queried the common habit of expecting the wife to cook all meals and clean a house even when doing a job with hours as long as her husband's.

The trouble was that the beer-swilling male chauvinist pig whose views in a pre-recorded interview were used to whip up the women's feelings seemed to have a wife who stayed at home all day, and had no job. Thus his ideas on marital work sharing (if not on drinking) seemed hardly unreasonable.

The women, however, became dutifully indignant, grumbling that he should try doing a full-time job and shopping *and* cooking *and* looking after the children himself—though this did not appear to be what he expected of his wife. It was the old journalistic trick of setting up a straw man and then burning it down with a great show of flames, producing lots of heat and no insight whatsoever. Worse, it actually served to foster prejudice rather than reduce it.

There was just one spell-binding current affairs discussion last week: another 1½-programme, again on BBC2, it was called *A Most Public Affair*, was produced by Michael Latham, and explored the huge areas of dilemma and disagreement covered by the Winscale public inquiry.

In fact it was not a "current affairs" programme in the usual sense at all, but drama: Elwyn Jones was responsible for producing the script from the record, and an utterly engrossing script it was.

The moral is not that all current affairs programming should be turned over to the drama departments, but that these affairs need even more assiduous preparation than they are getting, if they are to help rather than hinder the audience.

Sally Watts in 'Breakaway Girls' (BBC 1)

Leonard Burt

Tim Brierley and William Lucas

Watford Palace

Comedians by MICHAEL COVENEY

In the three years since its premiere at the Nottingham Playhouse, Trevor Griffiths' marvellous play has been seen at the National Theatre, in the West End and on Broadway. It is now on release to regional theatres and if all the productions are as serviceable as this one by Stuart Kerr, the play should work *its* way, as it deserves, into the repertory bloodstream.

The structure of the play is still perfect: in the first act, the pupils in a Manchester evening class for budding comics gather to receive final tuition from Eddie Waters, the Lancashire Lad himself, before facing a London booking agent and us, the audience, with their turns in Act 2. Mr. Kerr points the divergent philosophies of Eddie and the agent, Bert Challenor, with admirable precision. As Eddie, William Lucas *may not* have the refined defeatism of Jimmy Jewel, but he radiates honest commitment to the comics' true job of playing through laughter rather than for it. And Philip Newman's Challenor is a pragmatic winner dedicated to his own received ideas of popular taste.

Within these polarised attitudes to the job, the class thrash around in their acts for the key to success. It is no surprise at all that contracts are produced for the leering, predictable Irishman McBrain (David Delve) and the slick Mancunian Jew Samuels (Linal Haft). Whereas the Nottingham production had the brothers Murray sink themselves on stage by blowing up half-way through their act, this version points rather more subtly the disintegration of dual purpose. I had forgotton, too, the underlying family feud between the two boys over their hospitalised father. Colin Starkey and Joe Dunlop get the point across superbly.

Anyone playing the Grock-inspired Gethin Price, the van driver who alienates his audience by articulating the fury of a United bovver boy, has to live with the long shadow cast by Jonathan Pryce. Tim Brierley is a little less frightening, but no less effective than his predecessor. The final confrontation in the third act inquest between Gethin and Eddie is carefully done and brings a powerful, intelligent and stimulating evening to a memorable close.

Almost Free

Sillitoe/Pinter by MICHAEL COVENEY

Low lights and black drapes normally presage Headache Theatre, but this enterprising lunchtime double bill of *The Interview* by Alan Sillitoe and *The Examination*, a 1955 short story by Harold Pinter, survives the handicap. In the first, a Soviet officer (Glyn Owen) attempts to play off the applications of two Russian Jews for visas to Israel against each other by pushing an allegation of anti-State activities. An exemplary product of the Socialist state in which, of course, "anti-semitism does not exist," he wants to know who has been smuggling in radio parts, books and Zionist propaganda.

The idea is to get the dilapidated prisoner (John Rees) to ensure his own escape by pointing the finger at Irina (Diana Fairfax), who has been applying for a visa for six years and has been thrown out of her job and placed under heavy surveillance as a result. We know these things happen. I am not convinced that the interviews are, in reality, conducted in the rather phlegmatic, Anglo-Saxon manner indicated by Mr. Sillitoe, but he has a delicate, enthralling way of isolating the problem. Even the officer is recognisably human.

The Examination is recited in precisely subtle tones by Derek Godfrey. It is fascinating to see Pinter the playwright of territorial cat-and-mouse announcing his theme in a piece of assured, slightly arcane prose. The style has the careful stiltedness of a legal disquisition and is full of talk about intervals, courses, silences, positions, windows, curtains, doors and procedures. The interviewer's room becomes, by the end, that of the interviewee. The balance of power has changed. The speaker is no longer dominant.

...uffes du Nord, Paris

...bu by MICHAEL COVENEY

... first visit to this extra...inary theatre at the "wrong ..." of the atmospheric market ...et Rue du Faubourg St. ...his is an experience in itself. ...long period of disuse has pro...ed a unique and appropriate ...ironment for Peter Brook's ...uriantly economic approach ...two of Jarry's Ubu plays, the ...ll-known *Ubu Roi* (1896) and ...e of the lesser known sequels, ...*u Enchainé* (1910). The ...atre has a ghostly intimacy ...al for maintaining that ...rious blend of Jarry the ...*otache*" and Jarry the serious ...ceur.

...n many ways Brook's produc...n is clearly derived from his ...rican adventure (so vividly ...cumented in John Heilpern's ...cent book) and the sombre ...arity of *Les Iks*. But it is, ...ove all, extremely funny. As ...ayed by Andreas Katsulas, a ...ll and powerfully dark actor, ...bu is not represented as the ...sual grotesque buffoon. His ...rotesquery resides in what he ...ys and does, and the hilarious, ...ppalling power-lust of *Ubu* in ...he first play has an almost ...harming inevitability about it. *The murder* of the King and the ...oncern of the King's wife before the fatal Review reflect accurately Jarry's schoolboy parodies of *Macbeth* and *Julius Caesar*. It is not until Ubu is beseiged by tiny bouncing balls (representing the Russian offensive) that he appears as a *physical* grotesque, lunging around the stage like a heavily padded octopus.

The comic proficiency of the production is best seen in sequences such as the humiliation of the peasants: crowded together, they create a concentrated stage image to be steamrollered by Ubu astride a giant rolling barrel. That same barrel, turned on its side, operates elsewhere as a throne, a table and a bed-head. Likewise, the sheepskin coat in which Ubu proclaims his initial triumphs doubles as the bear later on. There is a real beauty, too, in the staging of Mère Ubu's descent to the crypt of Warsaw Cathedral in search of treasure. The active Japanese drummer provides sound effects of bats, insects and slamming doors while Michèle Collison treads warily and evocatively through the sinister vaults.

The plays are staged with breathtaking fluidity and, in *Ubu Enchaîné*, Brook scores some marvellous ironic points as Ubu continues his war of attrition as a slave. His ball and chain assume the significance of royal accoutrements in the eyes of a gullible tourist (a broad and very funny cameo by the English actor Bruce Myers.)

It will be interesting to see whether Brook continues on his severe and puritan course when he comes to Stratford-upon-Avon this Autumn to direct *Antony and Cleopatra* with Glenda Jackson and Stacy Keach. Later in the year he returns to Paris to direct *Measure For Measure*. His African safari company remains more or less intact and they still hold promise of the most fascinating theatre work to be seen in Europe.

Winchester Cathedral

St. Matthew Passion

Every ritual benefits from renewal, so that its unchanging message is not fossilised by the passage of time but speaks clearly to each new generation. In the case of Lenten performances of Bach's St. Matthew Passion — a ritual less than a century old, but no less well established for that—the renewal has recently taken the form of an attempt to recapture some of the composer's own intentions, using smaller choirs and orchestras to reveal the intricate detail of the score. Martin Neary took the process a stage further on Sunday, and with considerable adventurousness (not to say risk) gave his Winchester St. Matthew Passion with bareque instruments at original pitch. (The experiment has been partially tried before, but never in a *complete* account using *all* old instruments.)

The first thing to report is that Martin Neary showed real sensitivity to the characteristics of the instruments, and managed to adapt the sound of his amateur choir must successfully, on the whole, to their special qualities. The Waynflete Singers produced lightly slurred quavers in "I would beside my Lord," articulation as clear as their numbers would allow in the crowd choruses, and generally avoided that beefy, sustained choral sound which contrasts so poorly with baroque instruments.

In the circumstances it was a pity that the instrumentalists were not more persuasive: a couple of good obbligati for flute and violin, and an attractive clarity of line could not make up for a general scrappiness of ensemble. But then this Passion, with its two separate orchestras and its sheer length, is perhaps the most demanding work in the whole baroque repertoire: study of its difficulties, could well occupy a permanently-constituted orchestra for at least six months. As it was, this playing was in the nature of a most hopeful experiment rather than a fully-formed achievement.

The solo singing was on a different level: highly accomplished but contrasted in style. Mary Beverley's radiantly clear and direct soprano was on a chamber-music scale: I hope it penetrated to the back of Winchester's huge nave. David James's counter-tenor posed problems of restraint rather than of projection, while William Kendall's tenor and Stephen Varcoe's bass were both admirably musical, if more conventional. Brian Burrows found a wide variety of expression in the Evangelist's narrative: he was most convincing at full stretch, in the drama of the earthquake his restrained moments sounded more forced.

The aims of the performance were most powerfully expressed in David Thomas's superbly intelligent and concentrated Christus; his subtle restraint owed nothing to conventional interpretations, while his accuracy and incisiveness complemented perfectly the vibratoless halo of string sound which surrounded his recitative.

All the singers, though, suffered from the decision to perform the work in English. I would have accepted a pragmatic reason for this, but Mr. Neary suggested that the familiarity of the English text served the cause of "authenticity." I'll consider this problem more fully when I review the St. John Passion which was given in English on Tuesday at St. John's, Smith Square.

Palladium

Manhattan Transfer

by ANTONY THORNCROFT

At the interval of Manhattan Transfer's opening show at the Palladium on Monday I thought it the most enjoyable entertainment I had seen in years. By the end of the evening I reckoned it to be only the best concert I had seen in months. There seems to be just one flaw in the Manhattan Transfer act but it was enough to bring me back to reality.

The flaw grows out of the virtues. Man Tran (as they are known to their familiars) is the most sophisticated and streamlined act around. An undeniably mature quartet of Tim Hauser, bald and bearded, Alan Paul, good and greasy, Laurel Massé, tall and twitchy, and Janis Siegel, cool and curvy, they mix their voices around some of the most worthwhile tunes of the past 40 years, with a preference for the 'forties.

On top of fine voices and clever arrangements Man Tran adds a dramatic presentation for each song which makes it almost a new musical art form. The only grumble is that the slickness completely eliminates spontaneity—the encores are as controlled as every movement of the body, every note miraculously hit. They finally left the stage as they had planned from the start.

But for once the contents can support the excessive packaging. There is a terrific pace to a Manhattan Transfer concert, with frequent changes from suggestively stylish costume to stylishly suggestive costume; groupings of songs with a Latin slant, a New York bar slant; cameos of a verbally contorted DJ and an early, leather clad, rock singer. It is modern revue which uses the best of pop (especially a very effective backing band) and the best of the standards.

The appeal of Man Tran is as much their songs as their treatment of them. Blue Champagne and On a Little Street in Singapore are effectively revived from the past generation, and Where did our love go is preserved from the rock era and allows Alan Paul to drop to his knees in despair until Janis Siegl comes over to cradle his head in her lap—not your usual Abba routine.

It is the physical touches that make a trip to the Palladium a treat this week. The bodies and the hands are as liquid as the voices as the partners shadow box each other (sometimese too imaginatively for the spots), and there is a big climax with Paul ripping off his tee-shirt as he throbs through Gloria, and finishes the show hairy to the world. In short Man Tran is easily the pick of the town.

Bishopsgate Hall

Charles Rosen

by NICHOLAS KENYON

Of all Mozart's piano sonatas, the A minor (K310) contradicts most firmly the accusation that his works in this form lack substance: Charles Rosen's performance for the City Music Society yesterday lunchtime made out an even weightier case for the piece than usual—the dissonances in the Andante were more clamorous, the *moto perpetuo* of the finale was driven harder, and the first movement's *maestoso* theme was sustained more grandly than is common. Only a player as aware of the music's structure as Rosen could avoid making such an approach sound overblown: here the effect was that of a fierce tempest attempting to burst the banks of 18th-century classical restraint.

In Beethoven's Op 109 Sonata the banks have, as it were, burst; few pianists can make us aware of the startling discontinuity in the opening movement with the same paradoxical coherence as Rosen, nor unify the outburst of the following Prestissimo as forcefully. In the theme and variations he imposes nothing on the music: he cannot, perhaps, make us feel that the world is collapsing around us in the final variation, as can a Brendel or a Pollini—there is a quality of emotional restraint which always limits his music-making—but his iron control brings its own rewards.

Some might argue that Rosen's grip on the music strangulates its beauty; his account of the second set of Debussy's *Images*, however, had an insubstantial sheen to the sound which was pleasurable in spite of his piano's ungrateful upper register. Was the interpretation prosaic, or merely unusually faithful to the notes? Those who take the opportunity to hear this invariably stimulating pianist at the Goldsmiths' Hall on Thursday can judge the case with different evidence: he will be playing Chopin's B minor Sonata and Beethoven's Diabelli Variations.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897

Telephone: 01-248 8000

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A close race in France

MANY OF the political experts who, until two days ago, were forecasting victory for the Left in the French general elections are now with almost equal conviction predicting that the parties of the governing Centre-Right coalition will manage to hold on to power in next Sunday's decisive second round. It is true that the coalition parties have emerged from the first round in much better shape than they might have feared. Two of the most striking features of the results so far have been the Socialists' failure to make the major advance the opinion polls had predicted and the success of the centrist "Giscardian" parties in drawing almost level with their Gaullist partners. The terrain is now occupied by four main bodies of political opinion, Gaullist, centrist, Socialist and Communist, with remarkably similar levels of popular support.

Failure

The pollsters have been quick to explain their failure to predict the outcome. They claim that a much more accurate picture would have emerged if they had been allowed to continue their operations until the eve of the first round — under French law no polls may be published in the week before voting. If this is so, it would indicate that a fair number of voters changed their minds in the days immediately preceding the poll. It would also suggest that President Giscard d'Estaing's last-minute appeal for support for the governing coalition, after campaigning had officially closed, may have had an important influence on wavering or uncommitted voters.

The implication is that the French have not followed their traditional practice of "voting with the heart" in the first round, before bringing their minds to bear in the second. The protest factor appears to have emerged before the first round, in the opinion polls. It may well be that the seriousness of this particular election, with the real prospect of the entry of Communist Ministers into government, has concentrated minds at an earlier stage than usual.

The speed with which the Communists and Socialists have publicly patched up their differences in the wake of this initial setback for the Left may not prove to be particularly helpful for their cause. After so many months of acrimony, the smiling reconciliation between M. Georges Marchais, the Communist party chief, and M. Francois Mitterrand, the Socialist leader, will look cynical to many people. Both men have also had to make concessions. M. Marchais has done what he has consistently stated he would not do in accepting an electoral pact for the second round without agreement on the details of a common left-wing Governmental programme. M. Mitterrand has laid himself open to charges of caving in to the Communists by accepting that they would have a major role in a future left-wing administration.

M. Marchais has clearly been influenced by the Socialists' failure to move decisively ahead of the Communists in the first round. An electoral pact in the present circumstances means that fewer Communists will have to stand down in favour of Socialists than earlier looked likely. But while Communist voters can be expected to transfer their votes to Socialist candidates in large numbers on Sunday, it is far from certain that the same will apply to Socialists asked to switch their allegiance to Communists. Many French Socialists are strongly anti-Communist, and may well prefer to abstain or vote for a liberal candidate of the centre.

Centre-left

That is the heart of M. Mitterrand's dilemma. In the current French political line-up, he cannot gain power without Communist support. But the closer his links with the Communists, the more he risks alienating the social democrats who form one of the main bases of his own party's support. If the Left again fails to take power on Sunday, M. Mitterrand may be forced to conclude that the time has come to try a different strategy. President Giscard d'Estaing would certainly like to detach him from the Communists and lure him into a centre-left coalition. That moment, however, has not yet arrived. Although it has undoubtedly suffered a reverse, the Left has not yet lost the elections. All the indications are that it will still be an extremely close fight.

A statistical switchback

ANYONE BORED with the constant injunction, not to read much into the economic indicators for a single month in isolation, should take a hard look at the recent run of trade figures. The moderate surplus on visible trade which — with the help of North Sea oil — we had been running during the autumn became first a moderate deficit in December and then an extremely large deficit in January. Since most of the identifiable special factors seemed to be working in our favour rather than against us, there was nothing for it but to suspend judgement, with a strong feeling that so sudden and apparently inexplicable a change in the trend would probably turn out to be an unusually large hiccough.

And so it was. The visible balance moved back in February from a deficit of £334m. to a surplus of £84m., despite the fact the special factors had become unfavourable. Exports rose steeply, imports fell; since there was a small worsening in the terms of trade, due to the drop in the sterling exchange rate, this was as true of volume as of value. The current balance is now back in surplus to the tune of £184m. If that is lower than some of last year's figures, the reason is partly to be found in the fact that net invisible earnings are now somewhat lower than they were and the monthly estimate has had to be revised downwards.

Erratic items

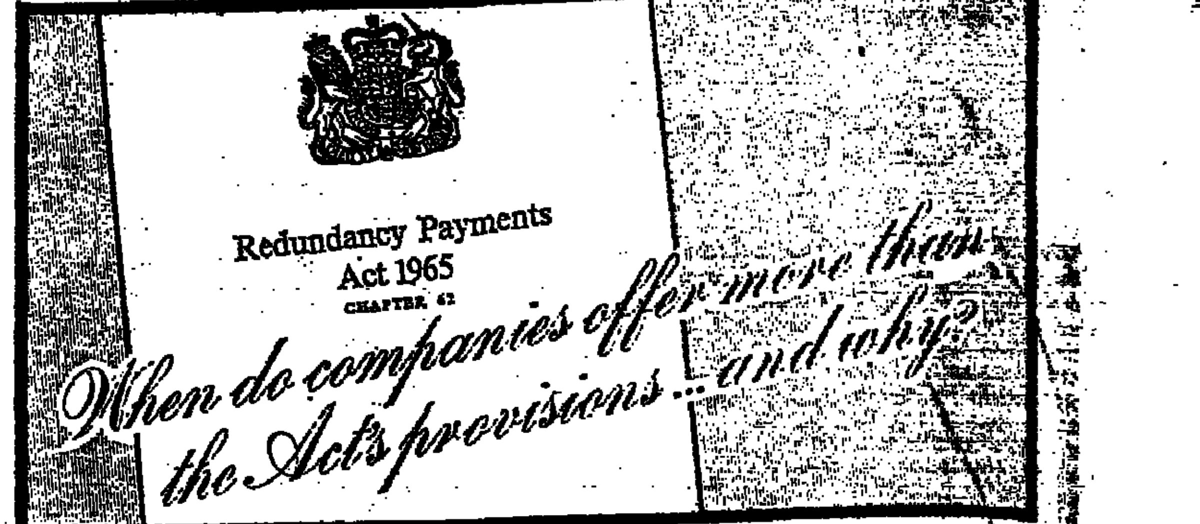
The usual way of trying to get past chance month-to-month fluctuations in the figures to the underlying trend is to compare the average outcome of the past three months with that of the preceding three. This procedure shows a much sharper rise in the value of imports than of exports; in volume terms the comparison is more unfavourable still—an 8½ per cent. rise in imports and none at all in exports. But there is some reason to suppose that the situation is not quite as gloomy as this and that the usual smoothing procedure is inadequate in this case.

A large part in recent fluctuations has been played by what the Department of Trade describes as "erratic" items. The definition of these is inevitably arbitrary but the most important are North Sea production equipment, precious stones, ships and aircraft. A comparison of the past with the preceding three months excluding these erratic items is probably the nearest to the trend one can get. This shows the volume of exports to be up by 1½ per cent., that of imports by 9 per cent. The export figure, if not exciting, is not too bad when seen against the background of slow growth in world trade and increasingly common reports from industry about the difficulty of competing on price—though the exchange rate is now somewhat lower.

Gilt sales

The recent growth of imports is less encouraging, especially for two reasons. The first is that it has taken place while domestic output has been little better than stagnant. The second is that rapid growth in terms of volume has taken place not only in imports of industrial materials as a whole—which would be the natural result of an expected increase in demand—but in imports of semi-manufactures and finished manufactures. This growth is not so far above the official estimate as was earlier thought, but it will have to be watched, especially in the context of a Budget intended to increase consumer purchasing power. Still, the balance of payments is comfortably into the black again. If the money supply figures also show the expected improvement, the Government Broker may soon be out of tap stocks again.

Big changes in the British way of redundancies



By CHRISTIAN TYLER, Labour Editor

THE British way of redundancy may be changing. Traditionally, it has depended on buying—or bribing—workers out of their factories. Once they left the premises the employer's responsibility came to an end. Whether the worker found another job, bought a grocery shop or went on the dole, was not the employer's concern.

But in recent years, and even months, two things have happened. First, the cost of shedding labour has tended to rise and secondly employers—especially in the public sector—have tried to take a more forward-looking view.

Increasingly, redundancy agreements contain, in addition to the lump sum "bribe," some kind of regular payment to cushion the worker while he looks for another job. In some cases he may be paid while he is re-training; he may even be getting money from his old employer while working for a new one.

British practice still puts the emphasis on the once-for-all sum, even though the statutory redundancy system brought in in 1965 requires that justice be done by weighting the payments in favour of the older employee and the employee with long service. On the Continent, the emphasis is the other way. The redundant French worker gets 90 per cent. of his wage for a year, for instance, and the EEC's view is that this type of payment is more helpful to labour mobility and redeployment.

Recent steel closures

Both the big recent steel industry closures, Hartlepool in the North-East and East Moors, Cardiff, involved considerable sums—50 per cent. funded by the EEC, 50 per cent. by the Government — of "re-adaptation" money for older workers. At East Moors this money, paid in weekly instalments, totals between £4,550 and £6,975 for men of 60 and about £600 for younger men, and lasts, depending on circumstances anything up to two years or more.

British Steel, like the Coal Board which has a similar scheme, is helped by the special provisions of the European Coal and Steel Community. The point is not so much the amounts of money, but the philosophy behind the way they are paid.

British Leyland, which is starting redundancy negotiations with the unions at Speke on Merseyside for the closure of the TR7 assembly line, is adopting a similar procedure: lump sum payments of £600 to £700 on top of statutory entitlement, and then "make up" pay for two years.

The generosity of these two State-owned concerns has probably as much to do with the cost of keeping the plants open as with their consciousness of the social hardship in high unemployment areas which their decisions will cause. At East Moors, the cost of the severance is put at £9m. to £10m., the long term savings to the BSC at £20m. But the unions argued that the real saving was nearer £100m. Because the steel unions' co-operation is essential to the whole cost-cutting exercise, and since they have the ear of Mr. Eric Varley, the Secretary of State for Industry, they were probably better placed than most negotiators in the private sector to push up the bidding.

Nonetheless, there is evidence that it does not take much to buy British workers out, however strenuously their unions may fight the closure. For example, 800 men at BSC's Clyde Iron works in Scotland left without the unions' approval. Many of the East Moors men, depressed by the half-life they were leading, were said to be anxious to go—all the more so because of rumours that they might be able to push the Corporation as high as £20,000 a man.

In the event, the payments were between £4,000 and £6,000 for most of them; a few 60-year-old mill rollermen of with 20-30 years service reached £17,741.

At Leyland, too, it is thought that many of the assembly workers, presented with what they see as a *fait accompli*, are anxious to get out rather than fight. The shop stewards at Speke deny this, and others have declared that closure of Speke would mean the end of Leyland's worker participation system.

A curious paradox is reported by engineering employers in Coventry, a city which has seen some very large redundancies in the last few years. Some find that when times are good, and other jobs plentiful, employees hold out for big sums on top of their rights under the Redundancy Payments Act of 1965. In a recession, that pressure seems to disappear. One explanation offered is that during a recession employees recognise that there is little chance of persuading the company to change its mind about closing their factory.

EXAMPLES OF PAYMENTS BY BSC TO EAST MOORS WORKERS

Age	30	30	40	50	60
Continuous years' service*	10	10	20	20	30
Weekly earnings	£75.76	£78.09	£78.09	£83.82	£111.62
			£		
Redundancy pay under Act including BSC's 50% supplement	1,023	1,054	2,226	3,080	4,939
Holiday pay	773	797	797	850	1,139
Special pay related to early closure	3,182	3,280	3,280	3,520	4,688
Sub-total	4,978	5,131	6,303	7,450	10,766
Weekly re-adaptation pay with EEC funding	600	600	600	600	6,975
Total	5,578	5,731	6,903	8,050	17,741

* Half the East Moors workforce has less than 10 years' service.

Capital sum

In good times and bad, a notice on the factory board asking for volunteer redundancies, usually produces many more than the company requires. For men near retirement, perhaps, it is the only chance they will have of picking up a capital sum and buying the pub they wanted. The skilled engineering worker, who has been in short supply throughout this present recession, may be confident of another job within weeks. (Certainly, British Steel and the Coal Board have had trouble keeping the skilled men they need and shaking out workers they do not.)

This tends to suggest that British workers like the British way of redundancy, and that complicated "after-care" arrangements, however desirable, are not really in demand. For example, the London port employers arranged for the Manpower Services Commission to put training offices in the docks to advise men thinking of taking severance (a maximum of £7,000 in all the ports). It has not had much success.

The history of docks severance does not show any great desire for sophisticated methods—and dockers' severance arrangements, statutorily backed, are jointly monitored by unions and employers. Certainly despite the bitterness over containerisation and the growth of inland ports (assuaged by the recent Dock Work Regulation Act) the ports have shed 65,000 registered men out of 95,000, in the last 15 years.

According to the Port of London Authority the scheme has been successful to the point where demand and supply of labour is nearly in balance, apart from a hard core of unfit men, who, naturally enough, are the least likely to come forward. London which like the rest offers up to £7,000—the first £5,000 being tax-free—has now closed the list against fit men.

Much has been made recently in the Commons and elsewhere, of "golden handshakes for workers." This is a description that might be accurate if every worker got the maximum figures—the ones usually quoted — like the £17,700 at East Moors, the £10,400 in shipbuilding, the £7,000 for dockers. How much is really paid?

The least the employer can offer is determined by the 1965 Act—a measure controversial enough in its day, and still sometimes criticised for giving the impression that there is a bonus which if they are lucky, workers can "earn."

Length of service

At the bottom end it gives half a week's pay for those under 21 for each year of service, provided they have had two years with the company. It rises by age and length of service to give, at the most, £3,000. Any worker earning over £100 a week is treated as if he earned £100—a cut-off point recently raised from £80. The maximum is payable to a man aged between 41 and 64, with 20 years' service, who has been earning £100 a week or more. But the average payment is about £650.

Most companies probably have agreements which give their employees better severance than this, although practice varies widely. A British Institute of Management survey in 1974 suggested that 80 per cent. of companies pay over the odds. There are many ways of improving the deal, but often an employer will give some multiple of the earnings-related calculation.

To take a case which made only one paragraph in yesterday's Financial Times, Cadbury-Schweppes announced on Monday night an agreement covering workers at its Typhoo Tea plant in Birmingham. (It is switching the work to Merseyside, where British Leyland's Speke and GEC's electric cooker plants are being shut.)

Those of the 550 Typhoo workers who opt for redundancy will get five weeks' pay for up to one year's service, 12 weeks' for three and four years, and 79 weeks' for very long service. The sums, for a £60 a week wage earner, range from £300 to £4,740. That deal took about six weeks to negotiate.

On a much grander scale is the scheme now being debated in Parliament for the recently-nationalised shipbuilding companies (and Harland and Wolff). The Shipbuilding Redundancy Payments Bill, designed for the shakeout that most observers believe is inevitable, is of immediate interest to the 1,152 Swan Hunter workers declared redundant after the industrial action that lost them their share of the Polish ships order.

If passed as it stands, it will pay well over the statutory money: £300 minimum for a worker with one year's service up to a maximum of £7,400, on top of the statutory maximum of £3,000 — making £10,400. But the average under the Bill is still only £1,500 — or twice the average now being paid under the 1965 Act.

The scheme mainly provides lump sums. But there is a weekly income addition lasting for two years for those who take jobs at less than their previous earnings, and a system of reclaiming money from a worker if he gets a job in another shipyard before his entitlement runs out. There is a £2,000 allowance for moving house to take a job elsewhere in British Shipbuilders. Earnings would be made up to their previous levels during training.

An even more ambitious scheme was proposed by unions and employers in Fleet Street in November, 1976. The so-called "programme for action" was an attempt to lay down comprehensive guidelines for the introduction of new technology and deal with the substantial redundancy that would have followed. As a joint plan, it did... It was voted down in ballot by the unions' members, but some of its ideas will resurface.

Part of the newer managements' promise to accept full "social responsibility" for volunteers was to maintain a worker's income for no less than five years if in that time his new job did not meet the pay of his old one or his entitlement were run out. For printers—some of the best paid industrial workers in the country—it was an important proviso.

More subtle ways

Although the plan was turned down for a number of reasons, it was interesting that at the time some printers said they would have preferred a lump sum on the nail, rather than subject to arrangements which they argued, they would be powerless to contest once they had left their strong Fleet Street union branches.

Enough schemes of this kind are under discussion to suggest that Britain is moving to more subtle and perhaps constructive ways of getting rid of labour in which hardship, re-training and relocation are important considerations. After all, a worker's redundancy does not end when the employer declares it, or when he picks up his coat for the last time—it is only the beginning.

MEN AND MATTERS

Doomed Speke feeds on rumours

As the days tick grimly by towards the closure of British Leyland's Merseyside factory at Speke, a series of alleged leaks from the management is provoking bitter resentment among the 3,000 workers who will lose their jobs. Despite emphatic and repeated denials from the London headquarters of Leyland, I was told yesterday by local union leaders that all the Speke employees are convinced the recent 17-week strike was "manufactured" by management to create a "closure atmosphere."

This charge will be put to British Leyland chairman Michael Edwardes this morning by a group of Labour MPs from Merseyside. At the meeting with him they will also ask about the charge that he told Prime Minister James Callaghan early in February: "Either we close down Speke—or I go."

Leading the MPs will be Eddie Loyden, member for Garston which includes the Speke district. He told me he believes there are "the seeds of truth" in the flurry of allegations now convulsing the Speke workers. Loyden declares that during many years as a trade union official he had "never seen a management behave as they did at Speke" —and he intends to tell Edwardes of his suspicions to-day.

At the centre of the charges is Alan Rimmer, a 29-year-old reporter on the weekly Runcorn Guardian. He has been running front-page stories based on "confidential information" he says has been passed to him by people in the Speke management. Leyland say that he has only been getting non-confidential information from a "union-based official," but Rimmer promises more of what he calls revelations this Friday.

On Merseyside in general, and at Speke in particular, the air is thick with suspicion and despair. Loyden says he is going to ask Edwardes to reconsider closing the plant. It is a forlorn hope—and with the workforce feeding on rumours there are all the signs this week that an orderly shutdown is going to be extremely hard to achieve.

"That's the trouble with potential policemen, you can never find them when you really need them!"

Dressing down

On the same subject, but in lighter vein, I liked the Freudian slip in the press notice the Welsh Office issued the day after the East Moors shutdown agreement. This drew attention to assistance offered under the "Clothing Industry Scheme" — but referred instead to the "Closing Industry Scheme."

Taste of honey?

My report last week about the EEC scheme to provide cheap sugar for bee-keepers has brought a stinging response from a reader who boasts 200 hives. Oliver Field, whose bees buzz around Reading, assures me that the Brussels brainwave is no use to British apiarists.

It seem that for some obscure bee-keeping reason, Continental swarms are topped up with dry sugar, whereas British bees feed on the liquid variety. The sugar companies are not at all interested in providing this commodity to Oliver Field and his counterparts. So why cannot they just water the stuff themselves? Apparently it is all much more complicated than that: two EEC superintendents will have to be present under present regulations to see the job done. So the 3m. tonnes of surplus sugar has a bitter-sweet flavour for British bee-men.

Fevered pitch

If the grass at Wembley went brown overnight, you would not get many people believing that "acidic soil under the turf had literally burnt the grass and made it useless for soccer." But that is what one news agency was blandly telling the world yesterday had happened in Buenos Aires, at the pitch in the River Plate stadium where the final of June's World Cup is to be played.

This latest apparent attempt to sabotage the World Cup comes at a time when even Argentinian ministers are wondering whether their country is in a fit state to host the event. General Jorge Videla's suave Minister of Finance, Juan Alemann, has been pointing out that the series will cost the country the equivalent of $700m. That includes the cost of two new football stadiums, the improvement of telecommunications—to the neglect of the spider's webs of wires which hang at street corners and fall each time it rains—and the introduction of colour television.

Yesterday's news that 40 "common law prisoners" had been shot by police in a prison uprising—a number more than those killed in the Attica State massacre of 1971 in New York —shows that tensions in the country are still acute. Of journalists alone, in the past two years 30 have been killed and another 70 disappeared. But the Left wing Monteneros at least favour foreign journalists coming to see wht is really happening. Not just because they are still skirmishing with the army but because in at least one field they seem one step ahead of Videla. They have learnt how to superimpose their broadcasts onto those of the junta—and so far claim to have done so 40 times.

Devaluation

Oh dear! Nothing is sacred any more. "The surface area of the new £1 note is 83.5 per cent. that of the old note"—or so Denzil Davies, Minister of State at the Treasury, was telling Parliament on Monday. But yesterday we measured it with everything except the electronic microscope. It was only 81.9 per cent. So sterling lost 1.6 per cent. overnight. Rough times ahead.

Sweet and sour

From the staff magazine of a Bradford company: "In China at that time, if a wealthy Chinese was condemned to death he could hire someone else to die for him. In those dark days there were many poor wretches who got a living by thus acting as substitutes."

Observer

The West loses a battle

By JAMES BUXTON, in Mogadishu

BALANCE of power in Horn of Africa has sud- turned drastically against West, and the long shed dream of one of a's most determined es has collapsed in crush- military defeat. A Somali ry campaign beginning summer to win self deter- tion for Somali people in Ethiopia has led to the t Union sending arms to pia on a scale unprece- d in black Africa. It has ght up to 12,000 Cuban s into the Horn of Africa. as built up the Marxist- ist Government in Addis a and has gravely pre- ed the chances of pia's northern province Eritrea winning indepen- —chances that looked only a few months ago.

the western countries act that Somalia ejected st Russian military ad- last November and can- Soviet naval facilities at ra is small compensation e East bloc's subsequent ry build-up in Ethiopia. ia is strategically placed e Gulf of Aden and the ocean, but Ethiopia is ered more valuable: it is cross the Red Sea from i Arabia, the world's lar- oil exporter. The Red Sea ecial as a sealane and as backdoor to the Middle conflict area. Moreover pia is a populous and tially wealthy country borders two pro-western Kenya and Sudan. With existing position in South as well, the Russians cquired the upper hand part of the world.

use Ethiopia is con- more important than Somalia and because what Somalia tried to do was contrary to the principles of territorial integrity on which other African states rely for their political existence, the western countries were unable to take any action to stop the Russians.

Shattered army

Defeat during the past two weeks has left Somalia, one of the poorest countries in the world with 3.5m. people more than two thirds of whom are nomads, with a shattered army, a refugee problem that swells daily, and tattered international credibility. Now it is being asked to renounce the concept underlying Somali nationalism—that eventually those Somalis outside the republic, in Ethiopia, Djibouti and Kenya, will be re-united with those inside to create a Somali nation within one country.

It should be said at once that in *Mogadishu itself*, looking out over the Indian Ocean some 550 miles south of Jijiga in the Ogaden where Somalia lost the decisive battle of the war, there are only shreds of evidence of disaster. The Government has said nothing since it announced last week that it was withdrawing its regular troops from the Ogaden.

Diplomats and journalists can only scratch at the surface of Somalia, whose politics, social organisation, culture and language have been little studied by outsiders. The country which came close to concealing the evidence that it had committed regular troops to the war in the Ogaden is hiding its defeat now. No observer knows for sure what is left of the Somali army.

Diplomats with some access to military information believe that the Ethiopian offensive, spearheaded by Cuban troops, was largely successful in luring large numbers of Somali troops into a trap near Jijiga where many of them were annihilated. Only a relatively small part of the army is thought to have escaped intact. Groups of soldiers, some of whom had penetrated deep into Ethiopia, are said to be fighting their way out through the Ethiopian lines because there is no ceasefire. Only the Government knows how many people were drafted into the army forces, the two branches of the guerilla movement, and possibly other irregular groupings—and how many of them have died or been wounded.

Perhaps not even the Government is sure of the scale of the refugee problem. On March 8 refugees started to pour out of the Ogaden, afraid for their lives as the Somali troops pulled back. On that day alone some 11,000 are said to have crossed the border in the northern part of the country near Hargeisa. Since then more and more refugees have been streaming across the border right down to the south, and even into Kenya, according to diplomatic and relief organisation sources. The Western Somalia Liberation Front, one of the two guerilla movements, puts the number of refugees at well over 100,000.

Nor does any observer seem to know how the Government which took the fateful decision to escalate the guerilla war in the Ogaden, is riding out what in other countries would be a storm. The dangers it faces are likely to increase in the coming weeks and months as the decisions on the country's future have to be made.

Last summer Somalia saw the chance of a lifetime to win self determination for the people of the Ogaden, a wedge on the map between the northern and southern parts of Somalia. Ethiopia was weak, its forces over-extended elsewhere, their morale low. Enthusiasm and a strong sense of purpose, aided by a superior tank force, enabled the Somalis to drive the Ethiopians from the Ogaden plain, but the attack bogged down last autumn on the mountain fringe to the north. Ethiopia did not, as the Somalis had hoped, fall apart.

Somalia had gone ahead without getting a green light from either superpower. The Soviet Union was almost certainly not consulted and after uneasily straddling the fence for a time decided that its real interests lay with Ethiopia. There is no evidence that the U.S. gave Somalia the go-ahead for what it did.

Colonial

The western countries could not stop Russia airlifting equipment to Ethiopia last December and January and bringing in Cuban troops in large numbers. Ethiopia is tacitly supported by almost every other country in Africa, anxious to preserve the principle that borders inherited from colonial days must remain unchanged. Somalia did not get arms from the western countries: even throwing out the Russians, which cost Somalia valuable maintenance men and radar operators, failed to produce the support needed.

Material support for Somalia was largely confined to the suppy of relatively light equipment and ammunition: technicians came from Egypt and Pakistan; Iran gave some help and Saudi Arabia and Abu Dhabi provided mainly money. This was not enough to stand up to the forces the Soviet could marshal. The counter offensive began in late January, with superior logistic support, firepower and weight of numbers on the Ethiopian side the war was over by the beginning of last week. Somalia ignored advice to pull back its regular troops intact when the power of the opposing forces became obvious.

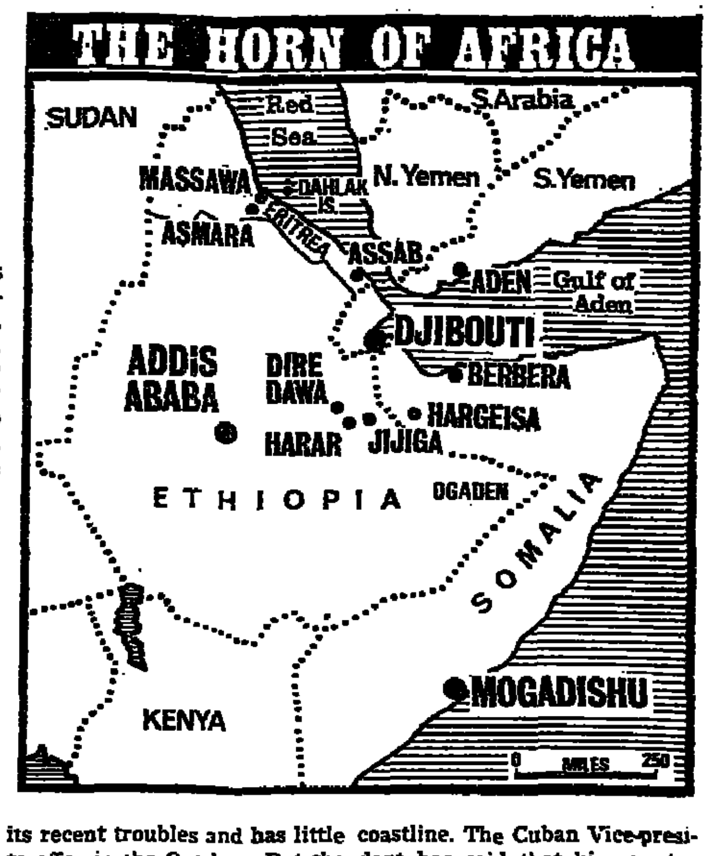
When Somalia finally said it was withdrawing its troops, it asked the superpowers to arrange a ceasefire, to start negotiations on the basis of self-determination for the people of the Ogaden, and to send international observers to safeguard the lives of Somalis in the Ogaden. The U.S. response, while welcoming the announcement of the withdrawal, was to call on Somalia to renounce any claims to territory in Ethiopia, Djibouti, and Kenya. Ethiopia has said there can be no ceasefire until these conditions are fulfilled and that Somalia must undertake not to interfere in Ethiopian internal affairs again. Vague though the Somali claims are, such a renunciation would strike at the very heart of Somali nationalism.

President Siad Barre needs at least some face-saving formula involving Ethiopian concessions on the status of the Ogaden. Somalia needs help to rebuild its army. It requires both short-term economic assistance and, more important, long-term aid and technical help: the departure of the Russians affected not merely the military sphere but also removed technicians from several projects all over the country. In some cases the Russians took away with them the plans of uncompleted work.

It is thought in Mogadishu that only the superpowers can provide a solution in the Ogaden. There appears to be common ground between the U.S. and U.S.S.R. on the need for a durable settlement, for checking what they see as Somali expansionism, and on the need to prevent any atrocities or genocide in the Ogaden. The U.S. does not want Cuban troops to stay in Ethiopia and the Soviet Union cannot wish to pay for them indefinitely. But the two powers are also in competition: the U.S. wants to cut down the Russian role in Ethiopia and the U.S.S.R. would like to recover its position in Somalia. Leaving aside possible trade-offs between the superpowers involving other issues, there is likely to be a race to give Somalia some small help: the key question is which way the Somali Government, led by a skilful diplomatic poker player, will decide to jump.

The Russians have defeated his country. They were thrown out, and to allow them back would involve loss of face and considerable unpopularity. But because of their position in Ethiopia they may have the power to bring about concessions in the Ogaden.

The U.S. has not done much for Somalia in the past or during its recent troubles and has little to offer in the Ogaden. But the Americans and the other western countries are not tarred with the same brush as the Russians and can provide Somalia with the kind of development assistance it needs. Somalia's Arab friends want it to move towards the West.



Eritrea

The West's priority appears to be to treat Ethiopia as gently as possible in the hope that, when its wars are over, it can dispense with the Russians and Cubans and reassert its non-alignment. That policy will face a far stiffer test in the next few months as Ethiopia turns its attention to the independence movement in Eritrea, which makes up its whole Red Sea coastline. The Cuban Vice-president has said that his country does not want to be involved in this issue (Cuba used to train the guerillas), but there are reports that Cuban troops are already in Eritrea.

It will be less easy for the West to say that the Eritreans are in the wrong as they did privately in the case of the Somalis, for the Eritreans have a respectable legal claim to independence. The issue is of even greater concern to the Arab states, especially Saudi Arabia, as Eritrea is far closer. The Eritrean guerillas are well dug in but are divided into three groups. The next round in the war in the Horn of Africa could be even more bloody and even more embarrassing for the western countries, than the conflict in the Ogaden.

Letters to the Editor

[Ha]ndicaps to [bui]lders

[From M]r. C. Cobbett.

Sheer blinding rage, with tremendous frus- forces me to draw atten- the handicaps of house

g recently completed the ment of 13 terraced t Surbiton, in the Royal of Kingston, at an the loss overall of over ever house, I am now seek- obtain a planning consent r houses in the same orough.

ew site was acquired with fit of an outline planning After months of altera- the plans in order to take ge of every helpful sug- made by the officers on l points and in the light onable objections from sidents, the matter was lly submitted to a plan- mmittee. The matter has en twice deferred. Part reason for the delay is acy at work. A local ouncillor is representing erest of other local resi- nd without any consulta- th me, has been a party presentation of a petition local authority regarding nning applications. I have notice of the receipt of etition or its contents the fact that I w at the planning com and known to be attend- meeting, the matter was ith out of turn to suit the lar councillor and I re am unaware of what lace. I attended a sub- t committee. It really comparatively little pur- ecause it is virtually im- e for members of the to hear all that is going the committee meeting.

ess than a year the price dy mix concrete has nearly d. The cost of bricklay- s increased by 50 per cent. rice of building land has than doubled and it is lly unobtainable. Bank wing is made impossible nd without a planning con- (the banks all quote a rule gulation No. 14 of the Bank ngland). The developer is with enormous planning s and still relatively high of borrowing if he is for- te enough to be able to ow at all and rapidly escalat- building costs. Now we are that house prices which are nning to reach the level of luction costs are to be sted by a benign Govern- t which is going to ensure there is a mortgage famine.

e one thing that I can pre- with absolute certainty is mortgage famine or no gage famine, the number of es built in the private r will diminish in number increase quite drastically in . So will the number of iers' bankruptcies and liqui- ns on creditors' petitions.

tate agents, who have had iendly relationship with me a number of years, assure hat the shortage of building will continue at least until the next general election.

. Cobbett.

ell Walk, Malden, Surrey.

[T]he price of [h]ouses

[From] Mr. K. Hanson.

[Sir],—Since the turn of the , there has once again been ramatic increase in house s, with increases ranging ughout the country from 10 cent. to 20 per cent. in the course of something like eight weeks.

The cause is very simply explained, a very basic law of economics—that the demand is far outstripping the supply. It is no good the Government bleating about the building societies lending excessive amounts (and the recently announced 10 per cent. cut in mortgage availability will only add fuel to the fire), naughty vendors gazumping on house prices or agents over-valuing property. The cause of the explosion is very simple and even if action was taken fairly quickly, it will take some time to rectify itself. The cause can be laid very firmly at the feet of the present Government with its unworkable Community Land Act and its excessive development land tax. The basic raw material of any builder is land and with the development land tax of 66⅔ per cent. of development value, owners are more than reluctant to sell and can you blame them?

Let us hope that if there is a return of a Conservative Government at the next election, that it will immediately repeal the Community Land Act (which it has pledged to do) and either repeal or very substantially reduce development land tax (which ... it originally brou... in... m... ...erial. ...appens when ...overnments have ...inkering about with nor- ...al open market in property, as between "willing buyer" and "willing seller" the exact opposite to that which the politicians theoretically thought the legislation was aimed to deal with has in fact happened. Why they will not learn from experience, I am at a loss to understand. Exactly the same thing happened in 1947 and again in 1963 under almost identical legislation as we have at the present time.

Kenneth E. Hanson,

Dacre, Son and Hartley, *Station Road, Otley, West Yorkshire.*

Changes in the shires

From the Greater London Council Member for Finchley.

Sir, — Predictably, John Grugeon, leader of Kent County Council, has attacked (March 10) the proposal in my Bow Group pamphlet "The rates riddle," which would bring the shire counties into line with the metropolitan counties by transferring their education and social service functions to the shire districts. But to argue that such organic change, which is increasingly supported by district councils, would leave the counties with "few real functions" is an exaggeration. Who, he asks, would serve on such "emasculated" authorities? Well, presumably the same kind of people who currently run the six metropolitan county councils and the GLC.

Many leading figures at London's County Hall — Horace Cutler, Sir Reg Goodwin, Shelagh Roberts, Illtydd Harrington, George Tremlett—are formidable politicians in their own right. Like their counterparts in the great metropolitan counties they are attracted by the task of operating strategic services at the intermediate level of government. The future of the English shire counties, lies in taking more responsibility from central government, not in hanging on to education and social services which are better co-ordinated with all the other personal services at district level: housing, environmental health, recreation, planning control.

John Grugeon and his shire colleagues should lift up their eyes unto the hills. Bringing elected government to the vast range of satellite public bodies orbiting around Whitehall is surely a nobler objective than fighting rearguard actions to defend the muddled arrangements of the last local government reorganisation, which is justly so unpopular with the ratepayers.

Of course there will be more education authorities if the shire districts take it over (as the metropolitan districts do already) but that is the point of the "small is beautiful" concept. Big is bureaucratic and I fear that John Grugeon, leading one of the largest and richest shire county councils, has been seduced by the old notion that bigness is the key to strength and efficiency. Thank goodness the GLC is having no truck with such out-dated ideas. Since the election last May we are devolving wherever we can because we believe Londoners will benefit from closer encounters with those who run the personal services which directly affect them and their families.

Roland Freeman.

Members' Lobby, County Hall, S.E.1.

Purchasing new plant

From Miss I. Cassidy.

Sir, — Your correspondent (March 7) who has become annoyed at the criticisms of poor productivity per capita for investment in new plant may have misunderstood the problem. He quotes as an example "when a new machine tool is purchased although up-to-date in terms of technology, it may be totally inadequate for the type of work it is expected to do." In my opinion this is not an example of poor productivity: it indicates inept selection of machine tool.

He then goes on to say that in some cases productivity with new machines is not improved and may even be decreased to what it was with the previous machine which could be up to 20 years old. Here he may have overlooked the fact that the new machine may require less manpower for the same output, so increasing productivity and thereby reducing costs.

His suggestion that the shop floor operatives should select the tools seems impracticable, because in my opinion that would imply that not only were the operatives skilled on the production side but they also were sufficiently aware of all management and administrative aspects of the company to equip them adequately to make financial decisions for the outcome of which they would not incur responsibility. Consultation to a sensible degree between workforce and management is wise and desirable, but decision-making should rest where responsibility for the outcome lies.

I. Cassidy.

30, Chadston House, Halton Road, N.1.

Productive methods

From Mr. R. Ely.

Sir,—Mr. Sealey (Purchasing new plant, March 7) makes a very good point. It is generally true that a considerable amount of useful information can be supplied by the people actually operating equipment. This is true not only with machine tools, but also production methods, operating procedures and back-up services such as production control and materials handling. The men on the shop floor frequently have valid and worthwhile viewpoints in all these functions.

The effect of new production plant on these "other" areas is frequently underestimated and although the plant may be ideal for the specific job it has to do, its effective use can be easily undermined by lack of attention to the broader issues involved—quite often a matter of effectively communicating to everyone concerned.

Roger W. Ely,

Handley-Walker Company.

Essex House, 27, Temple Street, Birmingham.

The nature of land

From Mr. A. Hoare.

Sir,—I must add a little to the discussion of the nature of land, to make quite clear why it is indeed unique. It is true that there are some other items which, like land, are in fixed supply; where land is absolutely unique is in the ultimate dependence upon it, directly or indirectly, that each of us has for our very existence. I should add that by land, I mean all natural resources and forces: if this is a wider meaning than that conceived by correspondents so far on this subject, it may call for a rethink on the part of some of them, but it does not alter the essence of what is being discussed.

Mr. Walker (March 6) is having difficulty in identifying my monopoly landowner. There is no such person or institution; I referred to an "effective" monopoly of land ownership. I think it is correct to use the term monopoly where a commodity cannot be created in response to demand. The price of land will be determined by market forces, as will the price of anything else (barring outside interference in the workings of the market); but whereas new suppliers can come into the market to supply most commodities (even to supply only themselves), this cannot be done in the case of land.

The supply side of the land market is in the hands of something less than the whole population, while the demand side is the whole population. In other commodities, the demand side can become part of the supply side, or it can often cease to be in the market for a particular commodity altogether.

A. M. Hoare.

99 Bullbrook Drive, Bullbrook, Bracknell, Berkshire.

Conciliatory language

From the General Secretary The Labour Party

Sir,—Your correspondent, Mr. David R. Henderson (March 13), in reply to my letter on the politics of fear, says the following: "The point is that Mrs. Thatcher has spoken on the issue only in the most conciliatory terms—all the emotive terms such as 'hatred,' 'swamp,' etc. have been used by her Labour critics in their attempts to vilify her."

I did not attribute to Mrs. Thatcher the use of the word "hatred," nor do I know of any politician who has. I did attribute the word "swamp." According to the official transcript of Mrs. Thatcher's broadcast she used the following words: "People are really rather afraid that this country might be rather swamped by people with a different culture and, you know, the British character has done so much for democracy, for law and done so much throughout the world that if there is any fear that it might be swamped people are going to react and be rather hostile to those coming in."

Ron Hayward.

Transport House, Smith Square, S.W.1.

To-day's Events

GENERAL

Index of industrial production (January, provisional).

CBI Council meets.

European Parliament in session, Strasbourg.

Prime Minister makes award to the Guardian's "Young Businessman of the Year" at Mansion House, E.C.4. Other speakers include Sir John Methven, CBI director-general, and Sir Peter Vanneck, Lord Mayor of London.

Mr. Eric Varley, Industry Secretary, speaks at Foreign Press Association lunch, 11, Carlton House Terrace, S.W.1.

Mr. Michael Edwardes, British Leylan chairman, is guest speaker at American Chamber of Commerce lunch, Grosvenor House, W.1.

Institute of Credit Management annual conference, London Hilton, W.1, 9 a.m. Speakers include Sir Harold Wilson, MP; Mr. James Prior, MP, Opposition spokesman on employment; and Mr. Nicholas Goodison, Stock Exchange chairman.

Mrs. Mary Whitehouse (National Viewers' and Listeners' Association), speaking on the theme Education: the Great Debate, asks "Whose influences should guide the teaching"? St. Lawrence Jewry next Guildhall, E.C.2, 1.15 p.m.

PARLIAMENTARY BUSINESS

House of Commons: Trustee Savings Banks Bill, second reading. Remaining stages of Employment Subsidies Bill and of Local Government (Scotland) Bill. Motion on Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuation) Order.

House of Lords: Scotland Bill, conclusion of second reading debate.

Select Committees: Nationalised Industries (sub-committee C). Subject and witnesses: Independent Broadcasting Authority (4 p.m., Room 8).

Public Accounts. Subject: Appropriation Accounts. Witnesses: Department of Transport, Scottish Development Department (4 p.m., Room 16).

Parliamentary Commissioner for Administration. Subject: Reports of the Commissioner. Witness: Sir William Pile, chairman, Board of Inland Revenue (5 p.m., Room 7).

OFFICIAL STATISTICS

Basic rates of wages and normal weekly hours (February). Monthly index of average earnings (January).

COMPANY MEETINGS

Camford Engineering, Stevenage, 12. Colonial Securities Trust, 117, Old Broad Street, E.C., 12.15. Gopeng Consolidated, 65, London Wall, E.C., 2.30. Henlys, 385-387, Euston Road, N.W., 12. Mackinnon of Scotland, Coatbridge, 11. Parker (F.), Leicester, 3. Pratt (F.) Engineering, Grosvenor House, W., 12. Tate and Lyle, Duke Street, W., 11.30. Union Discount, Great Eastern Hotel, E.C., 12. Western Selection, 25-35, City Road, E.C., 11.30.

COMPANY NEWS + COMMENT

U.K. growth helps Utd. Biscuits to £38m.

MAINLY REFLECTING growth in the U.K. profits of United Biscuits (Holdings), went ahead by 14.7 per cent. to £38.12m. in 1977, which compares with a forecast of not less than £36m. made at the time of the rights issue last October.

Compared with the average growth over the previous five years Sir Hector Laing, chairman, describes the profit rise as "modest but satisfactory" in a challenging year. It was marked by some new ventures of great significance for the future, he declares.

As regards the current year Sir Hector reports that it has started well in the U.K. but less encouragingly in the U.S. The chairman *anticipates that the* year's profit will show a satisfactory increase subject to the effect of the American coal strike not being too adverse.

After tax and extraordinary items, the attributable balance for the year comes through at £17.39m. compared with £15.54m. Earnings per 25p share are stated to be up from 17.2p to 17.9p.

As forecast and with Treasury permission the dividend is increased from 4.242p to 5.384p net with a final of 3.634p on the higher capital. In addition a one-for-one *scrip issue is proposed.*

Corporate objectives

For the first time the group has given a detailed statement of long-term corporate objectives.

As regards capital employed the aim is for profit, before interest and tax, to be not less than 20 per cent. of capital employed with a target of 25 per cent. on an historical cost basis. For 1977 the return at 21 per cent. was marginally lower. In the short term major investment programmes will adversely affect the *overall return.*

The chairman says that the objectives for sales and profits is at least to maintain net margins. In 1977 net profit as a percentage fell from 6.4 per cent. to 6.1 per cent. Contributing factors in the U.K. were lower margins in the foods division following the high potato prices of the first half and losses in the cake division during a period of withdrawal from van selling. Also, in the U.S., Keebler margins as expected were reduced from last year's exceptional level but were satisfactory at 6 per cent.

For capital expenditure it is intended to invest not less than 5p per pound sales annually and to make new investments at rates of return applicable to the risk involved to meet the group's target on capital employed. In 1977 capital expenditure totalled £40m. an increase of 54 per cent. —and represented 6.4p per pound sales.

For loans the aim is that these should not exceed 40 per cent. of capital employed. At the end of 1977 total borrowings amounted to 32 per cent. of capital employed.

During 1977 the group entered two markets the chairman believes will become increasingly important in the 1980s—fast food franchise operations and quality prepared frozen foods.

The group continued its very large investment programme in the U.S. for Keebler. This operation is similar to the investment programme undertaken in the U.K. in the middle 1960s which produced such successful results. Sir Hector believes the Keebler investment programme will prove equally rewarding.

Referring to Productos Ortiz in Spain the chairman says that after two years of reducing losses it was hoped that this company would reach break-even point. In the event failure to achieve any real measure of success with new products launched in 1977 and high costs associated with them resulted in a trading loss of similar dimension to the previous year. Established products have continued to do well in 1978 and the company's resources will be directed towards increasing their volumes and the efficiency of their production.

	1977 £000	1976 £000
Turnover	630.200	521.000
U.K.	375.100	302.600
U.S.	225.900	206.900
Europe	17.900	12.700
Rest of world	6.300	4.800
Trading profit	45.189	35.918
U.K.	28.400	22.408
U.S.	14.000	14.000
Europe loss	600	800
Rest	409	300
Interest	4.068	2.672
Profit before tax	38.120	33.246
Taxation	18.831	16.432
Net profit	19.289	16.814
Extraordinary items	1.904	1.273
Attributable	17.385	15.541
Dividends	6.372	4.282
Forward	11.013	11.259

Extraordinary items comprise provisions for loss on sale in Europe £549,000 (nil), less sale of related Royalty agreements £650,000 (nil): exchange differences £1.69m. (£626,000), expenses of Eurobond issue £605,000 (nil), additional provision for past service pension liability nil (£455,000) and goodwill written off nil (£192,000).

See Lex

than three points. This is mainly due to the sharp downturn in pulp prices in the third quarter which, with the improvement in sterling, gave a saving of more than 20 per cent. in costs. Meanwhile, Waldorf (greeting cards) must give cause for some concern while production problems are sorted out but the company is hopeful of reversing losses in the current year. At 52p (up 5p) the shares are on a p/e of 5.0 while the yield of 10.0 per cent. is covered three times.

HIGHLIGHTS

Sharply higher profits are reported by **Brooke Bond** but all the gains came from overseas and in the second half the impact of lower tea prices is likely to leave profits lower for the full year. Attributable profits at **Grindlays Bank** are 16 per cent. higher, but after adjusting for exchange movements the gain is 52 per cent. **Kleinwort Benson** is the first major public merchant bank to report this year and the figures reveal a sharp downturn in the returns from the Argyll field. Lex also takes a look at **United Biscuits** which has produced the first-ever quantified corporate financial objectives. Elsewhere, **Ductile** has suffered along with others in the steel sector, but the move away from housebuilding to property seems to be paying dividends for **Fairview.**

East Lancs. Paper tops £1m.

A SECOND half advance in taxable earnings from £452,671 to £516,689 lifted the 1977 full year profit at East Lancashire Paper Group from a depressed £212,671 to £1,152,689. Sales by the group which makes, processes and merchants paper, were up £6.3m. at £28.87m.

All the group's companies recorded satisfactory profits except for Waldorf Stationery and Greetings Cards where there was a loss of £286,000. Remedial action was initiated in the second half but this was too late to influence the results.

Re-organisation expenses at Waldorf amounted to £27,700 after tax.

The net total dividend is lifted to a maximum permitted 3.3p (2.931p) per 25p share, with a final of 1.948p.

● comment

Compared with Inveresk's 31 per cent. advance, East Lancashire Paper's 5¼-fold profits rise is *certainly impressive. Turnover* increase of 28 per cent. includes about a 6 per cent. jump in sales volume at the paper mill and the merchanting activities, and group margins have improved by more

Fairclough finishes £1.1m. up

WITH TURNOVER £6.57m. higher at £170.04m., pre-tax profits of Fairclough Construction Group finished 1977 ahead by £1.1m. at £7.05m. This continues the progress made at midway when an advance from £2.41m. to £3.06m. was reported.

Yearly earnings per 25p share are shown to have risen from 7.65p to 9.33p and the total dividend is effectively lifted from 2.25p to 2.488p with a final of 1.388p net.

	1977 £000	1976 £000
Turnover	170.041	163.471
Profit before tax	7.099	5.954
Taxation	3.587	3.126
Net profit	3.512	2.828
Minority loss	—	17
Extraordinary debits	—	769
Available	3.512	2.076
Dividends	936	839
To reserves	2.576	1.237

Mr. Oswald Davies, chairman, reports that the company is well advanced with its penetration of new markets and had more work on hand at the end of the year than at the beginning. The group's investment programme as regards property, plant and vehicles has continued and the directors are confident that the company's activities in Saudi Arabia will continue to expand. Good progress has been made in Iran and Kenya, and a strong cash position has been maintained.

● comment

Full-year figures from Fairclough Construction are right in line with market expectations. The pressures on the U.K. construction industry are evident in a turnover figure only 4 per cent. higher for the year as a whole including a small setback in the second half. Nevertheless profits rose by 18¼ per cent. overall. The company is evidently making progress overseas though as yet it *has not brought in any con*tribution from its associate company in Saudi Arabia which has won several long-term contracts. Fairclough is making some optimistic noises for the current year—the volume of work on hand is quite a bit higher than this time a year ago, and further profits growth is looked for. Meantime the shares look fairly valued at 70p, where the yield is 5¼ per cent., and the p/e 7.4 and the market capitalisation of £26.4m. is roughly double the value of net cash in the balance-sheet.

Setback for Ductile Steels

REFLECTING adverse trading conditions throughout the steel industry and without the substantial stock profits seen in the first half of last year, taxable earnings at Ductile Steels slumped from £3.14m. to £1.87m. in the half year to the end of December, 1977.

External sales were up £3.77m. at £30.98m. The steel division was particularly hard hit by lack of demand and reduced margins.

Following the announcement of the Davignon Plan in December there has been some improvement in demand but it is too early to say if this trend will continue, says Mr. R. Sidaway, the chairman.

So far in the second half there has been only a small increase in orders and there is little sign of a general upturn. Even so, the directors are hopeful that with this small improvement second-half profits will be considerably better than the first six months, the chairman adds. For 1976-77 the surplus was a record £5.73m.

The net interim dividend is raised to 1.9261p (1.751p). The final last time was 3.2981p. As existing dividend controls end on July 31, 1978, the Board hopes to be allowed more flexibility when fixing the current year's final. However if the controls remain in force it could only be increased by 3 per cent., he says.

The tube engineering divisions did reasonably well during the first year and the performance of Newmans Tubes, acquired in August, has been fully up to the directors' expectations.

	Half-year 1977 £000	Half-year 1976 £000	Year 1976-77 £000
External sales	28.976	27.208	58.555
Trading profit	*2.057	3.224	6.131
Investment divs.	—	—	5
Investment sales	—	—	19
Rents received	23	5	22
Interest	212	192	493
Pre-tax profit	1.873	3.149	5.725
Tax	974	1.635	2.973
Net profit	899	1.509	2.752

* Includes £493,000 from Newmans Tubes. † Profit.

● comment

In common with others in the sector, Ductile Steels is finding the recession heavy going—first-half profits are 40 per cent. lower and there is still no sign of the expected upturn for which last year's £1.9m. capital expenditure programme was designed. The problem is in the important steel division, which is experiencing a lack of demand from its largest customer, the car industry, compounded by cheap imports from the EEC and the Far East. On top of this there is an absence of stock profits, which amounted to about £1m. in the previous first half. The tubes division was also depressed but profits improved after the £0.48m. contribution from newly-acquired Newman *which should greatly strengthen* Ductile's position in the electrically welded steel tube market. On past 12 months' earnings the shares, at 117p, are on a p/e of 6.9 while the yield is 7 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brooke Bond	int.	0.83†	July 3	0.76	—	2.76
J. E. Crowther (Hldgs.)		5	March 20	—	5	—
Ductile Steels	int.	1.93	May 5	1.75	—	5.05
East Lancs. Paper		1.95	May 5	1.78	3.3	2.93
Fairclough Const.		1.39	July 3	1.25*	2.49	2.25*
Fairview Estates	int.	2.5	April 27	2.25	—	5.65
Federated Land		1.55	May 11	1.3	2.3	2
Kleinwort Benson		2.47	May 15	2.21	4.12	3.72
Lambert Howarth		2.27	May 15	1.97	3.17	2.87
Gen. Mining and Finance		135‡	May 6	120	225	210
Globe and Phoenix		1.25	—	0.63	1.25	0.63
Grindlays Holdings		1.75	April 28	2	2.75	2.5
Pentos		2.84	—	2.54	4.29	3.84
Second City Props.	int.	0.55	May 5	0.55	—	1.73
Stothert and Pitt	*int.*	2.4	April 4	2.15	—	9.55
United Biscuits		3.63†	July 3	2.69	5.38	4.24
Vosper		2.35	June 7	2.1	4.85	4.16

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ South African cents.

16% profit increase for Fairview

taxable profit from £906,000 to £1.05m. was achieved by Fairview Estates for the half year to the end of December, 1977. No sales of industrial property or building land took place during the period and turnover was up 4 per cent. at £10.52m. against £10.43m.

The company's contracted rent roll is now £1.43m. a year, representing a rise of over 20 per cent. in the past six months. Inquiries for space are still at a satisfactory level and further lettings are under negotiation, Mr. D. J. Cope, the chairman, reports.

Discussions are now in hand on several rent reviews. The two so far agreed show an increase in excess of 200 per cent. Greater benefits from these reviews will be seen later in the year, he says.

The housing market is currently buoyant and the improvements in margins previously foreseen have been attained. Profits generated from this activity will continue to facilitate the enlargement of the company's property portfolio.

Earnings per 10p share for the first half are shown higher at 9p *(8.3p) and the net interim divi*dend is lifted to 2.5p (2.25p) absorbing £269,000 (£242,000). For *1976-77* a final of 3.398p was paid from profit of £2.12m.

After tax of £84,000 (£16,000) the net balance emerged at £968,000 (£890,000).

A revaluation of the company's investment properties will take place shortly, and will be incorporated in the next audited accounts to be produced at June, 1978. This will undoubtedly show a substantial strengthening of the balance-sheet, Mr. Cope observes.

Long-term finance has been arranged in substitution for a significant part of the present bank loans funding investment properties. Terms of the loans range between 10 and 25 years.

The directors intend to ensure that any growth of the company's residential development business is carefully controlled. Management availability is being increasingly directed towards commercial/industrial property activities, to secure further substantial rental income from property assets.

● comment

Fairview Estates' transformation from a housebuilder to a property company continues apace. Gross rental income has risen a fifth to £550,000 without the benefit of rent reviews in the current first half. These are to come in the second half, when nearly an eighth of the total property portfolio of 1.2m. square feet gains from rent reviews; while reviews of a similar proportion of the portfolio will show through in the next financial year. Meanwhile, the group has made attempts to strengthen the balance sheet. Some £5m.—nearly a half of the group's medium to short term development debt—has been converted into long term borrowings arranged with the institutions.

For the full year £2.5m. pre-tax, compared with £2.12m., looks possible. On that basis the shares at 100p stand on a prospective p/e of 8.7, fully taxed, and yield 9.7 per cent. assuming a maximum payout. The shares should settle down around present levels.

Yearlings slip to 7⅞%

The coupon rate on this week's issues of one-year bonds is down from 8¼ per cent. to 7⅞ per cent. at par. The bonds are due on March 21, 1979.

This week's issues are:—City of Coventry (£1m.), Aylesbury Vale District Council (£½m.), Bury Metropolitan Borough Council (£½m.), Norfolk County Council (£½m.), Strathclyde Regional Council (£1m.), Corporation of London (£1m.), Barnsley Metropolitan Borough Council (£½m.), City of Cardiff (£½m.), Newport Borough Council (£½m.), London Borough of Southwark (£1½m.), South Derbyshire District Council (£1m.), City of Norwich (£½m.), (£½m.), Vale of Glamorgan Borough Council (£½m.), Metropolitan Borough of Wigan (£½m.), Preseli District Council (£½m.), Llanelli Borough Council (£½m.), South Kesteven District Council (£½m.), City of Wakefield Metropolitan District Council (£1m.), Northavon District Council (£½m.), *Northwarwickshire Borough Coun*cil (£½m.). South Northamptonshire District Council (£½m.), Cyngor Dosbarth Dwyfor (£½m.), London Borough of Enfield (£1m.).

Canterbury City Council has raised £½m. of 8 per cent. bonds due April 18, 1979 at par.

Two-year 9 per cent. bonds dated March 12, 1980 are issued at par by:—West Lancashire District Council (£½m.), Kettering Borough Council (£½m.), City of Bradford Metropolitan District Council (£½m.), Horsham District Council (£½m.), London Borough of Islington (£½m.).

South Oxfordshire District Council has raised £½m. by the issue of 10¼ per cent. bonds dated March 11, 1981 at par.

Borough of Blaenau Gwent has raised £0.2m. by the issue of 10¾ per cent. bonds, maturing on March 10, 1982, at par.

Torfaen District Council has raised £0.15m. by an issue of five-year bonds at par maturing on March 9, 1983.

Wimborne District Council has raised £½m. of variable rate three-year bonds dated March 11, 1981 at par.

Five-year variable rate bonds issued at par and maturing on March 9, 1983 have been issued by Taff-Ely Borough Council (£½m.) and Chichester District Council (£½m.).

Grindlays second half slowdown

IN THE SECOND half of 1977 profits of Grindlays Holdings fell from £18.69m. to £14.83m. leaving the total for the year virtually unchanged at £30.45m. compared with £30.13m., after provision for doubtful debts.

Profit of Grindlays Bank, a 51 per cent. owned subsidiary, amounted to £30.72m. against £30.45m.

Mr. N. J. Robson, chairman of the bank, points out that fluctuations in exchange rates took place during the year resulting in a net loss of £1.6m. compared with a gain of £2.3m. arising from currency changes.

At the net profit level the balance shows an increase from £14.04m. to £16.25m., after minorities down from £2.47m. to £147,000, with earnings per £1 share showing a rise from 83p to 103p. Excluding the currency effects the rise *would be* from £11.7m. to £17.8m. The chairman feels that his forecast of better results in 1977 has been fulfilled.

The bank has added over £14m. to reserves bringing the total added for the last two years combined to over £27m.

For Holdings the year's attributable balance emerges at £8.34m. compared with £7.22m. after minorities of £7.86m. (£8.65m.) giving earnings per share of 24.5p against 19.8p.

The Holdings dividend is raised from 2.5p to 2.75p net, with a final of 1.75p. The *Bank* has declared dividends for the year of £1.85m. net and the dividends receivable by Holdings in respect of its 51 per cent. holding amounts to £943,000 net.

HOLDINGS—

	1977 £000	1976 £000
Profit before tax	30,451	30,127
Tax	14,250	14,757
Net profit	16,201	15,370
Minorities	7,860	8,652
Extraordinary items	—	300
Attributable†	8,341	7,218
Dividends	933	850
Retained	7,408	6,368

† £997,000 (£566,000) dealt with in the accounts of Grindlays Holdings.

See Lex

Good start for SGB

In view of the recent bad weather SGB Group, the international construction plant and services concern, could not expect to maintain the same rate of growth in the first six months as in the previous first half, Sir Edgar Beck, the retiring chairman, *told the annual meeting in London* yesterday.

Nevertheless, the current year was going well, he added. The home market was doing well but overseas, there was still plenty of room for improvement.

Sir Edgar remains on the Board as a non-executive director. The new chairman is Mr. Neville Clifford-Jones. Mr. Clive Beck becomes deputy chairman and joint managing director with Mr. Clifford-Jones.

NORFOLK CAPITAL CONFIDENT

First quarter's returns for the current year for Norfolk Capital Group indicated an improvement in the hotel division trading and increased property rentals, chairman Mr. Maxwell Joseph told yesterday's annual meeting.

With interest rates continuing below those prevailing in 1977, a further substantial increase in profits could be expected this year, Mr. Joseph added.

GLOBE INV.

Globe Investment Trust has arranged an unsecured loan facility of $US10m. for five years with Morgan Guaranty Trust Company of New York.

Pentos up in second half

AS ANTICIPATED at halfway when an unchanged profit of £1.07m. was announced, the pre-tax figure of Pentos showed a advance for 1977, from £2.96m. to a record £3.26m. Turnover came to £41.8m. compared with £36.49m.

Exports increased 17 per cent. to £6.59m. and excluding construction results were £3.96m., a 39 per cent. advance.

Tax took £0.85m. (£0.69m.) and earnings are shown up from restated 14.48p to 15.58p per 10p share. As forecast, a final dividend of 2.840475p net lifts the total to 4.292475p (3.843125p).

There was an extraordinary debit of £733,000 for the year mostly in respect of the closure and transfer costs, including redundancy payments, of the Gummers Engineering Works, Rotherham, and the loss on book value from the sale of the shareholding in the Phoenix Timber Company, which had been held by the Austin-Hall Group prior to the acquisition of that company by Pentos.

	1977 £000	1976 £000
Turnover	41,808	[illegible]
Other income	48	[illegible]
Share of assocs.	304	[illegible]
Interest paid	580	[illegible]
Pre-tax profit	3,248	[illegible]
Tax	849	[illegible]
Company	790	[illegible]
Associates	59	[illegible]
To minorities	3	[illegible]
Extraord. debit	733	[illegible]
Retained	1,984	[illegible]

† Credit

The directors say that during 1978 they are *looking for further* improvements in publishing and bookselling, engineering, and garden and leisure products, and for some recovery in *construction.* Over 60 per cent. of sales and profits are now attributable to consumer products and an increase in consumer spending in 1978 will obviously be beneficial.

Overall, prospects are good and the directors expect further growth during the current year.

● comment

With publishing and bookselling accounting for the bulk of group profits—some 45 per cent. compared with 42 per cent. in the previous year—Pentos' second half is traditionally better than its first as the run up to Christmas boosts the sale of books. In the last year the seasonal bias was further exaggerated by the acquisition of Dillons University Bookshop which chipped in around £100,000 to second-half profits of £2.19m. But while Dillon's may have contributed nearly three-tenths of the improvement in publishing activities that contribution was offset by the disposal of the 25.4 per cent. stake in Phoenix Timber, which took a £100,000 out of second-half profits. However, lower promotional costs and a wider distribution network lifted profits from gardening and leisure activities, principally greenhouses, from £318,000 to £602,000. The real disappointment has been construction where falling volume sales for portable buildings depressed profits. In fact a £200,000 loss on the manufacturing side was masked by around £350,000 *profit* on hiring and leasing interests. At 78p the shares stand on a p/e of 4.8 on stated earnings or 7.4 fully taxed, and yield ... (covered twice). The income is the attraction.

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United Biscuits

Getting the mixture right for the employee, the shareholder and the consumer.

1977 Preliminary Figures and Extracts from the Statement by the Chairman, Sir Hector Laing.

Group Results

At the time of our Rights Issue last October we forecast that our profit for the year would be not less than £36 million. This has proved to be a conservative figure.
Compared with the average growth over the previous five years, the 14.7% increase in profit from £33.2 million to £38.1 million was modest but satisfactory in a challenging year.

Results for the year	1977 £m	1976 £m	Difference £m	%
Sales				
United Kingdom	378.1	302.6	+ 75.5	+25.0
USA	225.9	200.9	+ 25.0	+12.4
Europe	17.9	12.7	+ 5.2	+40.9
Rest of World	8.3	4.8	+ 3.5	+72.9
Total	630.2	521.0	+109.2	+21.0
Trading Profits				
United Kingdom	28.4	22.4	+ 6.0	+26.8
USA	14.0	14.0	—	—
Europe	(0.6)	(0.8)	+ 0.2	+25.0
Rest of World	0.4	0.3	+ 0.1	+33.3
Total	42.2	35.9	+ 6.3	+17.6
Interest — Net Cost	4.1	2.7	+ 1.4	+51.9
Net Profit before Tax	38.1	33.2	+ 4.9	+14.7

Major Developments

The year was marked by some new ventures of great significance for the future.

- We entered two markets which we believe will become increasingly important in the 1980's:
  We purchased Wimpy International, leaders in fast food franchise operations in the UK with a firm foothold in Europe and elsewhere overseas.
  In quality prepared frozen foods we purchased Alveston Kitchens (frozen meals primarily to the catering industry); TFC of Hull (frozen foods for caterers); King Harry Foods (frozen pizzas); and Rossi (frozen pasta meals).
- Our initial moves to lessen our dependence on short-life ambient cake have been successful.
- We have significantly altered the Group management structure in the UK to decentralise and give more responsibility to the Divisional Managing Directors.
- We continued our very large investment programme in the USA for Keebler involving all their factories.
- Keebler has achieved a useful tonnage gain which, in the challenging and competitive circumstances in which they operate, is very significant.
- We made very successful Rights and Eurobond Issues as well as a private placement for Keebler.

There have, of course, been failures, the principal one being that Productos Ortiz in Spain is still making a loss. Failure to achieve any real measure of success with the new products launched in 1977 and the high costs associated with them resulted in a trading loss of similar dimension to the previous year. Established products have continued to do well and in 1978 the company's resources will be directed towards increasing their volumes and the efficiency of their production.

Thanks to Our Employees

There is no doubt that an incomes policy which erodes differentials, coupled with a high level of direct taxation, makes it difficult for a company to provide opportunities for its employees to achieve satisfaction in their jobs. Although in common with other companies we have experienced some difficulties which I attribute primarily to that cause, I would like to thank all members of the Group at every level for contributing to another successful year.

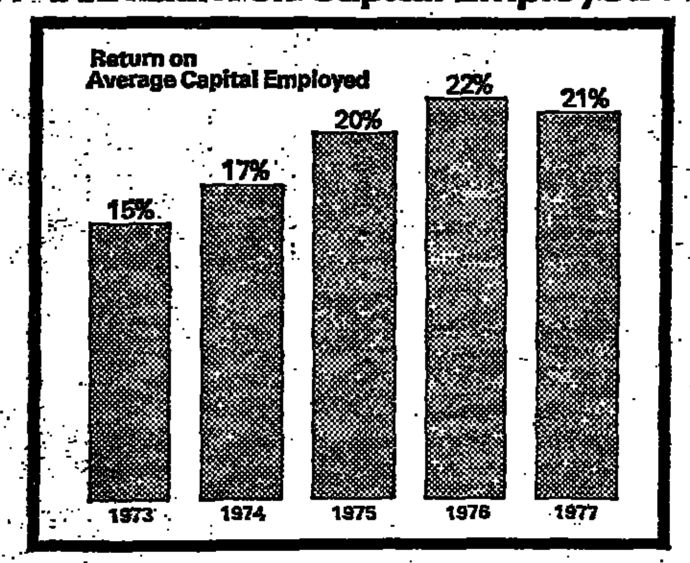
Outlook for 1978

Although it is always difficult to make a meaningful forecast for a year ahead, the year has started well in the UK but less encouragingly in the United States. I anticipate that our profit in 1978 will show a satisfactory increase subject to the effect of the American coal strike not being too adverse.

Corporate Objectives

When a great deal of effort is being made to condition the public into thinking of themselves primarily as consumers rather than as wage-earners, I think the time has come to include with my Statement the long-term Corporate Objectives which our company strives to achieve. These are designed to give security of employment and the highest possible standard of living to our employees, the best possible value for money to the consumer, and consistently reward the investor at a level which fully recognises the element of risk, while ensuring that the business remains internationally competitive.

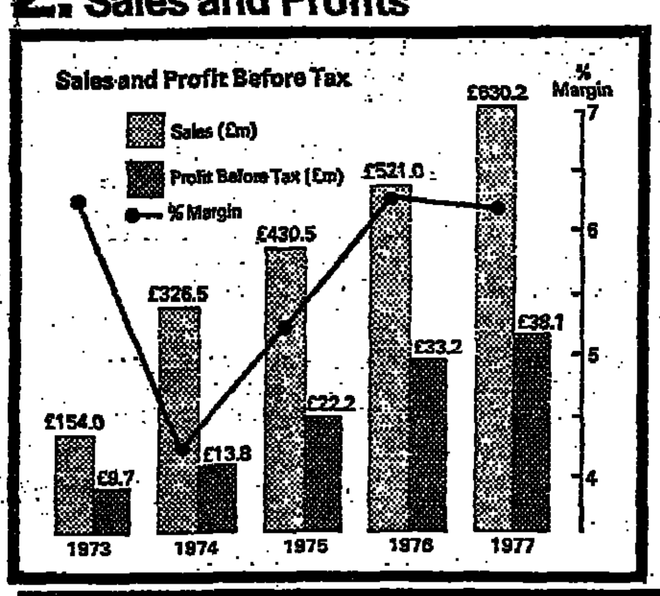
1. Return on Capital Employed



Objective
To make a profit, before interest and tax, of not less than 20% of capital employed, with a target of 25% on an historical cost basis. Capital employed is defined as the total of shareholders' funds plus long and short-term borrowings.

Comment
For 1977, the return on average capital employed during the year was 21% and was marginally lower than the return for 1976.
The benefits from major investment programmes, such as Keebler are presently carrying out, take time to flow through. In the short term therefore such programmes will adversely affect the overall return on capital employed.

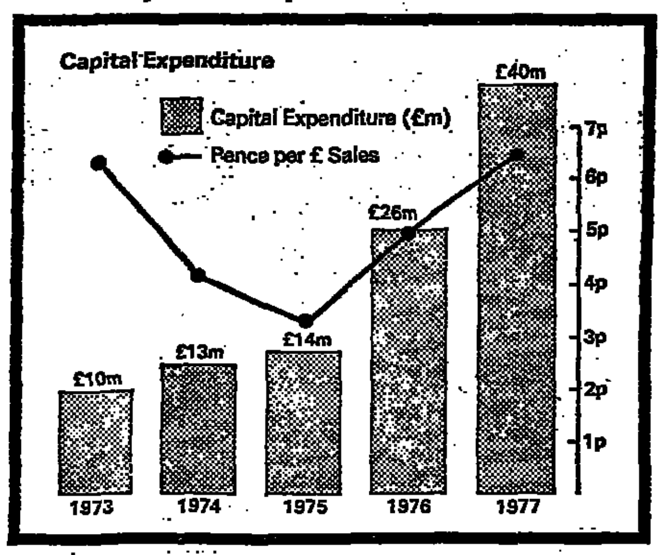
2. Sales and Profits



Objective
At least to maintain the increase in profits in line with the increase in sales, i.e. to maintain net profit margins.

Comment
Profit before taxation, i.e. net profit, increased by 14.7% over last year on an increase in sales of 21%.
Net profit as a % of sales fell from 6.4% in 1976 to 6.1% in 1977. Contributing factors in the UK were lower margins in the Foods Division following the high potato prices of the first half year and losses in the Cake Division while we withdrew from Van Selling. Also, in the USA, Keebler margins, as expected, were reduced from last year's exceptional level, but were very satisfactory at 6.0%. The most important factor in achieving our profit level for 1977 was once again the performance of our UK Biscuit Division.

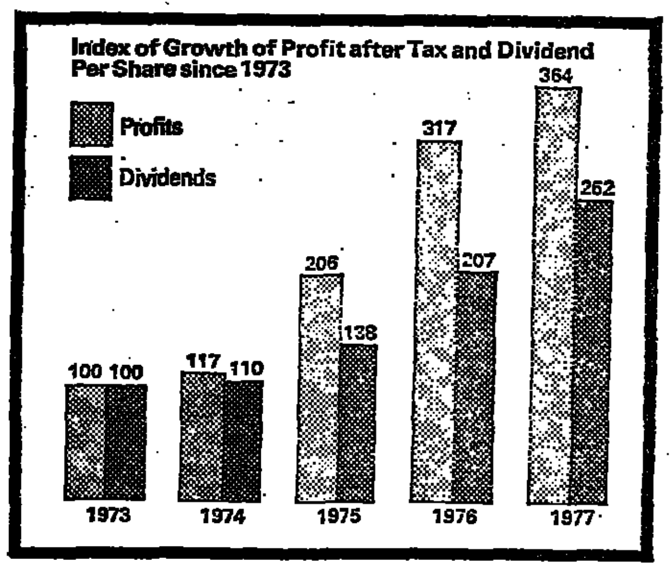
3. Capital Expenditure



Objective
To maintain the quality of existing assets by investing not less than 5p per £ sales annually and to make new investments at rates of return applicable to the risk involved to meet the Group's targeted return on capital employed.

Comment
During 1977 major additions included a Krackawheat plant at Liverpool; new buildings at Grimsby; an extension to our Headquarters at Osterley; and significant development of Keebler's facilities in the USA, at the Atlanta, Philadelphia, Denver and Grand Rapid factories.
In 1978 we intend to continue to develop our production facilities at Glasgow, Carlisle and Ashby in the UK, and in the USA.

4. Dividends



Objective
That the return to shareholders should grow in line with the growth in net profit.

Comment
Our ability to achieve this has been adversely affected by dividend control in recent years. With Treasury approval and in order that the success of our Rights Issue could be assured, the dividend for 1977 has been increased by 27%, which has partially helped to correct the disparity.

5. Loans

Objective
That loans should not exceed 40% of capital employed unless required for exceptional circumstances of a short-term nature.

Comment
Total borrowings amounted to 32% of capital employed. The increase in the capital base in 1977 as a result of the Rights Issue, gives the Group not only the resources to increase capital spending in the UK, but also the potential to increase borrowings to finance overseas expansion. In 1977, the Group also took the opportunity to raise longer term fixed interest funds through a Eurobond issue of £30m and in the US through a private placement of $25m. These were used to replace certain short term borrowings and to fund capital expenditure respectively.

6. Overseas Assets and Liabilities

Objective
That foreign currency assets and liabilities are matched.

Comment
Any expansion overseas is financed wherever possible in the currency of the country concerned. At 31st December 1977 our overseas assets marginally exceeded our overseas liabilities.

Creating Wealth and Sharing Prosperity

I believe that an understanding of Added Value and its distribution is essential to the success of any industrial strategy, because it has such important implications for employee, consumer and investor alike. I have therefore written a booklet, to be distributed with the Report and Accounts, in which I have put forward some ideas for prosperity sharing that the overwhelming majority of a company's employees could support. I have also included a brief description of Added Value, how it can be increased, its distribution and have made some suggestions for priorities.

Hector Laing.

14 March 1978

The Annual Report will be posted to shareholders on 19 April 1978.

United Biscuits (Holdings) Limited

If you would like to receive a copy of the Annual Report, and 'Creating Wealth and Sharing Prosperity', and are not a shareholder, please complete this coupon and return it to:

The Registrars, The Royal Bank of Scotland Limited, 31 St Andrew Square, Edinburgh EH2 2AB

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Address________

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McVITIES · CRAWFORDS · MACFARLANES · KP · CARRS · WIMPY · KEEBLER

Brooke Bond leaps £6m. on overseas boost

HIGHER PROFITS earned in all overseas areas offset a decline in the U.K. for Brooke Bond Liebig to expand taxable earnings in the half-year to December 31, 1977, by £6.37m. to £22.65m. External sales by the group, which packs and distributes tea, coffee, meat and other foodstuffs, reached £374.6m., against £334.9m.

Total trading profit was up from £19.5m. to £25.77m. with U.K. contribution down at £5.15m. (£6.59m.) and overseas ahead at £20.62m. (£12.91m.).

Trading profits for the year are expected to be lower than in 1976-77, the directors says. Subject to world tea prices and exchange rates, overseas profits should be comparable with those of last year.

In the U.K. the distortion of the normal pattern of tea supply to the public due to changing price levels continues. The situation has been further aggravated by Government intervention and no reliable indication can yet be given of the effect on the full-time result, they say. Last year the taxable surplus was a record £49.33m.

The net interim dividend is raised to 0.831875p (0.75625p) per 25p share on capital increased by rights issue, and absorbs £2.14m. (£1.56m.). The final last time was 2.00757p.

Substantial improvements were recorded in Continental Europe, Canada, Pakistan and in plantation companies, but Indian distribution profits were down. The overall improvement would have been greater but for the general strengthening of sterling since last year, the directors state.

The fall in the U.K. was due to the decline in tea sales volume which followed the build up of trade and consumer stocks during the spring and early summer of last year.

	Half year 1977 £000	Half year 1976 £000	Year 1976-77 £000
External sales	374,396	334,911	789,154
Trading profit	25,769	19,496	57,207
U.K.	5,147	6,587	20,043
Overseas	20,622	12,909	37,164
Interest	3,762	3,307	7,837
Sales of assets*	640	89	†21
Pre-tax profit	22,647	16,278	49,329
Tax	10,240	6,677	19,496
Net profit	12,407	9,601	29,833
To minorities	1,302	627	1,888
Extra-ord. credits	—	—	4,318
Attributable	11,105	8,974	32,253

* Profit. † Loss.

The half-time figures have not been adjusted for unrealised profits arising from inter-company trading. The group's share of associated companies' results has been included.

See Lex

Midterm fall by Second City Props.

Against a difficult trading background, pre-tax profit of Second City Properties fell from £460,955 to £411,689 for the half year to October 31, 1977, on higher turnover of £9.82m., against £1.55m.

A considerable effort is being made to achieve substantially increased production and sales, say the directors, and they look forward during the second half to an upturn in profits, which will produce results in line with previous years.

For the whole of 1976-77, the company reported a taxable profit of £0.9m.

First-half tax takes £214,078 (£239,696) leaving the net balance down from £221,259 to £197,611. The net interim dividend is 0.5544p (0.546p) per 10p share, costing £67,568 (£66,021)—the 1976-77 final was 1.18015p.

Kleinwort Benson expands

WITH A higher contribution of £5.17m. against £4.45m. from its banking division, net profit of Kleinwort, Benson, Lonsdale, an investment holding company, expanded from £6.54m. to £7.48m. for 1977.

The banking result was after transfers to inner reserves out of which provision was made for diminution in value of assets. Profit from other group companies amounted to £1.74m. (£1.35m.), while the share from associates dropped from £0.74m. to £0.57m.

The net dividend total is stepped up from 3.72241p to 4.1202p per 25p share, costing £2.23m. (£1.98m.), with a 2.4702p final.

After preference dividends absorbing £69,000 (same), retained profit was higher at £5.18m. (£4.5m.).

See Lex

Better second half for G. Armitage

Turnover for 1977 of George Armitage and Sons, an unquoted brick manufacturing company, rose from £3.94m. to £4.06m. but pre-tax profits dropped from £830,300 to £698,845 after £173,500, against £459,000, for the first half.

Earnings are shown at 20.9p (28.42p) per 25p share. The dividend total is lifted from 1.756436p to 1.9453p net with a final of 1.0453p.

	1977 £	1976 £
Turnover	4,057,361	3,935,129
Profit before tax	698,845	830,300
Tax	368,196	384,198
Net profit	330,649	446,102
Extraord. credits	291,585	54,992
Making	622,234	501,094
Retained	582,775	464,765

Inflation adjusted accounts show CCA pre-tax profits at £508,000.

Mr. Geoffrey Armitage, the chairman, says in his first annual statement that the national outlook for brick sales at the beginning of 1977 was bleak and following the commissioning of the second tunnel kiln at Howley Park in October, 1976, the company was faced with selling an increased output of 40 per cent.

Exceptionally wet weather during the first four months severely curtailed deliveries and contributed to the increase in brick stocks of eight weeks by the end of June. This led to the decision to close the company's oldest brickworks, at Thorpe, and production was phased out by June; all stocks were sold by the end of November.

By the end of June there were indications of an upturn and the brick stock increase was contained to nine weeks over the whole year.

The company was able to finance stocks from existing bank facilities and borrowings were susbtantially reduced by the sale of air space adjacent to the Howley Park factory for £287,000 in August.

Capital expenditure included £151,737 for an offices and amenity block at Howley Park and £47,211 changing from oil to natural gas for firing the tunnel kiln at Swillington.

Lambert Howarth recovery

SECOND half pre-tax profits of Lambert Howarth Group, footwear manufacturer, improved from £181,611 to £371,465. This reversed the downward trend of the first half, for which a fall from £245,614 to £102,374 was reported, and left the figure for 1977 ahead £46,614 at £473,839.

Turnover for the 12 months showed an advance from £11.95m. to £13.83m. and profit was struck after depreciation of £205,161 against £198,333.

Earnings are given at 7.8p (7.1p) per 20p share and the dividend total is raised from 2.87p to 3.17p with a final payment of 2.27p net.

After tax of £239,963 against £212,934 the net balance emerged £19,585 better at £233,876.

D. Macpherson confident about Cover Plus

Following a year of depressed demand Mr. Rex Chester, chairman of the Donald Macpherson Group takes an optimistic view of prospects for 1978.

On the future of Cover Plus sales, which received their first setback in 1977, the chairman says that he feels that in retrospect it will be shown to have been an exception and if early sales and forward orders for the current year are any guide this brand (*which is sold exclusively through* Woolworth) will be back on course in 1978.

The chairman says that Cover Plus has increased its share of the market and is now second only to ICI's Dulux brand.

Reflecting the inclusion of Unerman for a full year to the extent of £935,000 group pre-tax profits rose from £2.76m. to £3.05m. in the year ended October 30, 1977. Expressed in terms of 1971-72 £s the 1976-77 profit was £1.43m. compared with £1.03m. actually achieved in 1971-72. The chairman feels that the full earnings potential remains to be tapped in 1978 and 1979.

*The sales value of surface coat*ings in the U.K. rose by 14.8 per cent. and exports by 22 per cent. during the year. Overseas sales went up by 17 per cent. In volume terms home sales fell by some 6 per cent. reflecting in particular the depressed trading conditions in the DIY and trade markets for decorative paints and the lack of buoyancy in the U.K. economy generally.

In terms of trading profits the major elements, apart from Unerman, were represented by a further solid advance of some 20 per cent. overseas while the contribution from the U.K. surface coating operations was down by 6 per cent. The latter was represented by a worthwhile increase on the industrial side being more than offset by a reduction on the decorative side.

Fixed assets increased by £2.5m. of which £2m. was accounted for by a revaluation of land and buildings. Principally as a result of this revaluation and a revised stock revaluation net assets per share have risen from 60.6p to 80.9p.

Total borrowings at the year end amounted to £6.5m. (£5.9m.) —56 per cent. (72 per cent.) of holders funds.

Meeting, Winchester House, EC, April 5 at noon.

Winding up orders

Orders for the compulsory winding up of 27 companies have been made by Mr. Justice Slade in the High Court. They were:

Tobago (Builders), W. Marshall (Transport), Bromcourt Holdings, Unifer International (U.K.), Sportique, Birhill Engineering Company, Ripper Tools, A. R. Transport, Emaycell (Fruiterers).

Firmead, Combine (Manufacturers Agents), Robson Engineers (London), Contempo International, Acreview Developments, Bentley and Son, J. L. Haffenden.

Kimber Motorcycles, Modern Garment Transporters, Dwelsafe Alarms, Burwil, Melheath, Elby Radio and Television.

Roehead Educational Materials, Martin and Cartin, The Greyhound Shower and Manufacturing Supply Company, and Turnsglade (U.K.).

Compulsory winding up orders made on March 6 against Kilimanjaro Art Trading Company and Chavel (English and French Modes) have been rescinded. By consent, both petitions were dismissed.

MIDLAND INDS.

Shareholders in Midland Industries were told by Mr. Eddie Marsland, chairman, at the annual meeting yesterday that the group was on target for the first four months of the current year. Despite increased difficulties he was confident of a similar performance for the rest of the year.

Vosper looking for diversification

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

Vosper, the private sector shipbuilding concern left behind after nationalisation of the Vosper Thorneycroft group, is seeking to purchase an engineering company to diversify operations from its Singapore shipbuilding base.

Sir John Rix, Vosper's chairman and until last month chairman of Vosper Thorneycroft, also revealed yesterday that his present company is investigating a management contract for a large shiprepair facility in the developing world. Although he would not give details, this is thought to refer to management of Dubai's massive three-dock complex, which will have a total capacity of 1.85m. deadweight tons when complete.

Sir John's ambitious plans for the redevelopment of Vosper, which also says it will be announcing orders for its Singapore patrol boat building yard in the next few weeks, came with the publication of the group's preliminary results, showing a pre-tax profit of £2.2m. for the year ended October 31, 1977.

Turnover was £80.6m., compared with £98.5m. last year. The 1977 figure, however, contains returns for only eight months from the section of the Vosper Thorneycroft business nationalised last July. Mr. Ken Ford, Vosper's finance director, said it would have been around £115m. on a complete year for the whole business.

Trading profit for 1977 is put at £7.9m., of which £6.6m. is attributed to the operations of the company now owned by British Shipbuilders

Earnings are shown at 26.33p (53.55p) per share. The final dividend is 2.3488p net for a total of 4.6488p (4.1655p) on the Ordinary. Deferred holders receive one-fifth of this.

	1976-77 £	1975-76 £
Turnover	80,606,522	98,493,241
Trading profit	7,573,490	7,423,671
Less Nationalised cos.	6,366,158	—
Depreciation	146,660	776,836
Interest payable	35,496	525,419
Investment income	96,396	51,108
Associate	96,989	31,286
Divs. Nationalised cos.	890,189	—
Profit before tax	2,188,780	6,264,610
Deferred tax	112,000	2,650,000
Other tax	400,473	396,680
Minorities	930	2,179
Revaluation	†759,562	283,711
Attributable	2,376,759	3,454,498
Dividends	380,212	249,158
Retained	2,006,547	3,205,332

† Of quoted investments.

Mr. Ford said the level of profitability shown in the results, coupled with net book value of the group's nationalised assets of £10m., would suggest a fair level of compensation for Vosper's shareholders of between £25m. and £30m.

No indication had been received from the Government, he said, as to when or whether Vosper would receive a compensation payment on account of the kind already made to the majority of shipbuilders whose companies were nationalised.

Application has also been made for a further distribution to Vosper of profits retained within the nationalised section of its former business up to vesting day.

Turnover specifically attributable to Vosper was £12.3m.—a level, according to Sir John, roughly equivalent to the size of the original South Coast Vosper business in 1966 prior to the takeover of the neighbouring shipyards of Thornycroft.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Arthur Bell, Eleco, Trafford Park Estates, James Walker Goldsmith and Silversmith, Waring and Gillows.

Finals—Bonser Engineering, Britannic Assurance, Camellia Investments, T. Clarke, Finlay Packaging, John I. Jacobs, G. F. Lovell, Manchester Garages, Norvic Securities, Thomas Robinson, H. Woodward, Yorkshire Chemicals.

FUTURE DATES

Interims—	
Beckman (A.)	Mar. 29
Bryant Holdings	Mar. 22
Courtney Pope	Mar. 20
Lawtex	Mar. 20
Pifco	Mar. 31
President Brand Gold Mining	Apr. 20
President Stern Gold Mining	Apr. 20
Pressac	Mar. 20
Welkom Gold Mining	Apr. 20
Western Holdings	Apr. 20
Finals—	
Bronx Engineering	Mar. 29
Edinburgh Investment Trust	Apr. 10
Green's Economiser	Apr. 17
Hiltons Footwear	Apr. 3
Home Counties Newspapers	Mar. 29
Reckitt and Colman	Mar. 30
Tilling (Thomas)	Mar. 22
Wimpey (George)	Apr. 27

L. B. Holliday declines to £0.85m.

Taxable profit for the year to July 2, 1977, of L. B. Holliday (Holdings), maker of aniline dye, contracted from a peak £981,076 to £854,190, on increased turnover of £13.69m. against £11.08m.

Tax took £530,083 (£498,023) and the dividend on the privately-held Ordinary capital absorbs [illegible] £82,500.

Federated Land rises to £0.86m.

AFTER MAKING a £328,000 provision against the cost of land pre-tax profit of Federated Land and Building improved from £797,000 to £863,000 for 1977. At midway, the surplus was little changed at £415,000, against £398,000.

Mr. J. H. P. Meyer, the chairman, states that although, as forecast, full year turnover dropped from £13.35m. to £9.71m. reflecting the finishing of houses for the local authorities, profit from private house sales more than compensated and were most satisfactory.

House sales are at present buoyant, providing a good start to the current year and turnover should, therefore, increase although interest charges are expected to rise substantially as the shopping centre in Kent nears completion, and further capital is required for housing starts.

Stated earnings are 3.74p (3.41p) per 25p share and a final dividend of 1.55p raises the total to 2.3 (2p) net, absorbing £239,000 (£208,000).

The directors are satisfied that the value of land holdings is well in excess of the amount at which it is shown in the balance sheet.

The exceptional provision is to allow for the expected additional development costs on a site, not yet started, which a detailed sub-soil investigation has now shown would require infrastructure expenditure substantially greater than expected. No other additional costs are anticipated.

	1977 £000	1976 £000
Turnover	9,711	13,[illegible]
Trading profit	1,[illegible]2	1,3[illegible]
Rents received*	182	
Interest†	[illegible]	8[illegible]
Exceptional debit‡	[illegible]	
Pre-tax profit	863	7[illegible]
Tax	474	4[illegible]
Net profit	389	3[illegible]
Interim dividend	78	
Proposed final	161	1[illegible]
Retained	150	1[illegible]

* From investment properties. † After writing off £229,000 (£40,000) attributable to development of shopping centre in Kent. ‡ Represents provision against cost of land, which is to allow for expected additional development costs on site not yet started, which detailed sub-soil investigation has shown would require infrastructure expenditure substantially greater than expected. No other additional costs are anticipated.

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"Another successful year"

STATEMENT BY THE CHAIRMAN, MR. A. M. HODGE

To be presented at the Annual General Meeting on March 21st, 1978.

Large increase in market value of assets. Strong valuation basis. Bonus rates increased. Service to policy holders improved.

ETIRING DIRECTOR

At our annual general meeting last year Mr Ian Pitman, W.S., was one of ie directors who retired by rotation, but who, by reasons of age, did not seek -election. Mr Pitman joined the Board in 1948 and was Chairman from 1963 to 966. He was the third member of a family whose service to Standard Life extended lmost unbroken over the past ninety years. He brought to our meetings wise counsels, onsiderable financial and general experience, and above all, enthusiasm and a sense f humour. We shall miss his contributions to our discussions and we wish him well t his retirement.

HE ECONOMIC SITUATION

In a speech to the National Conference of Labour Women the Secretary of itate for Economic Affairs had a cheering message for us. He forecast "The pace f the prices spiral has been stopped. The index of retail prices, from February nwards, will indicate that the Government had steadied the spiral and had brought t, to some extent, under control. Wages and salaries were going up to try to keep ace with prices, and each was following the other." The Government, he said, vould take steps through its prices and incomes policy to "stop, or slow down he spiral".

The speaker was Lord George-Brown (as he now is) and the date of his speech vas 10th March 1965. It is not the only item in the issue of the newspaper which ould almost be a contemporaneous record—there is even the news that the strikers t Austin works in Birmingham had voted to resume work. This sense of timelessness loes not, however, survive even the briefest perusal of the advertisements, and the es mentioned in them. In 1965, for example, you could buy twenty pounds of sh seed potatoes for the price quoted in 1978 for one pound.

have quoted this passage, not to make fun of a minister and a Government their best to bring order to chaos, but because it is instructive to draw the el with our present position. At the cost of unpopularity, of rising unemployment f a reduction in real standards of living the Government has won for us a spite from the horrifying and rising rates of inflation from which we had too long uffered. But let us be clear that the battle is still to be won; the advance of the isidious enemy has been checked but not, as yet, reversed. We have not yet returned the levels which were causing Mr Brown such concern in 1965 and experience iust surely have taught us by now that the idea that we can live with, and control, iflation, even at what we should now think of as a gentle rate, is a chimera. he efforts which have been made in the past two years have been great and have eserved the success they have won. But if the ending of the present phase of the ay policy is to be accompanied by a scramble to make good the losses in which, their credit, the Trades Unions have acquiesced in the national interest, these icrifices will have been in vain. Surely by now we must be learning that we annot survive, as a trading nation, if we try to achieve a spurious standard of living y spending more than we earn and borrowing the rest.

HE LIFE ASSURANCE YEAR

Against this background of falling standards of living and continued doubts bout the efficacy of long-term saving it is not surprising that the life insurance idustry in general has experienced a check to the progress it had come to regard as lmost inevitable. More business, whether measured by premium income or by enefits secured, has been written but the increase is less than we have been ccustomed to and has not kept pace with inflation. Standard Life's figures reflect ie general trend though it is to the credit of all our staff that we have done better ian the average. There were signs of growing confidence towards the end of our nancial year and it may be that rates of growth will once more accelerate.

New business apart, this has been a quieter year in general which has given s a welcome opportunity to continue and consolidate the developments in our ata-processing systems, already among the most advanced in the country. fficiency and service to policyholders have been improved and yet we are now andling a greatly increased volume of business with a smaller number of staff than e employed in 1970. Unfortunately next year some of these efforts will perforce e diverted to the less productive task of coping with the changes in the methods y which Life Assurance Premium relief is to be granted.

When the life offices first agreed to the suggestions of the Inland Revenue it as in circumstances very different from those of the present day and events have iore than justified the doubts which were originally expressed. On the whole, owever, the floods of legislation which had threatened to engulf the life assurance idustry seem, at least for the moment, to be on the ebb. Some of the more ontentious measures may, alas, have been postponed rather than abandoned but iere is still quite enough going on for the respite to be welcome. What is erhaps less satisfactory is the continued delay in producing the Regulations hich will govern how our liabilities are to be valued. I do not expect that we shall ive any difficulty in complying with any requirements which are likely to be laid 1 us but it is conceivable that our investment strategy might be affected and ncertainty in this field is not desirable. The difficulties of reconciling the very ifferent views held in some European countries with the greater freedom we have aditionally enjoyed in Britain is enormous and I wish our representatives in russels all success in defending the British point of view.

INSTITUTIONAL INVESTMENT

The "Wilson" Committee, whose terms of reference include the review of arrangements for channelling savings by the financial institutions into industry and trade, has been hearing evidence during a large part of last year. Representatives of the insurance industry submitted our primary evidence in June of last year and the second stage evidence is even now in course of presentation.

All the evidence submitted to date, and not only that from the insurance industry, strongly suggests that there has been no lack of institutional support for industrial investment. Lack of demand, rather than lack of supply of finance has been the main reason for the low levels which have so inhibited growth in this country. Indeed one might go further. Life assurance companies in Britain are generally fully invested. If they are to increase their stake in one particular area, then a corresponding reduction must be made in another; they cannot invest more than they take in. They are already a major source of supply of long-term Government finance and the Government, as we have seen in the past two or three years, can make the terms on which it is prepared to borrow so attractive as virtually to pre-empt most of the institutional funds available for investment. It is lack of demand, coupled with this, which has limited the amount of new industrial investment.

The use to which the Government puts the huge sums it borrows annually is primarily its concern, and not that of the institutions who supply so large a part of the money raised. It may be that it is considered to be in the best interests of the country as a whole for money to be invested in projects which are considered to be socially desirable rather than remunerative. One may not agree with the criteria on which such decisions are made but one cannot argue against the right of Goverments to make them. There is, however, a world of difference between the Government borrowing money on commercial terms and using it in this way, and the proposition that the institutional investors should directly make money available to industry irrespective of the likely return on its investment. In the first place, the risks of loss are borne, as they should be, by the tax-payers as a whole while in the second it is the individual savings of the thrifty and prudent members of the community which are put at risk. If the attempt were made to direct institutional investment in this way it is more than probable that the impact on the savings market would be such that the flow of new money available for investment generally would dwindle, which could be to no one's advantage.

PENSIONS BUSINESS

Some of the difficulties and frustrations mentioned last year by my predecessor, Mr Risk, have been happily resolved though others remain. The limits imposed by the pay policy on permissible improvements to occupational pension schemes have been lifted and we are already experiencing the benefits. The final arrangements for contracting-out from the new State Pension Scheme were settled more satisfactorily than at one stage appeared possible and we may permit ourselves a modest satisfaction at our contribution to the achievement of this end. We are well ahead with the work involved in meeting the deadline of April 1978. We have always prided ourselves on the standards of our pension fund documentation and our experience to date of the contracting-out process has afforded welcome corroboration that this is no mere empty boast. It may be of interest to mention that approximately three-quarters of the schemes we administer have decided in favour of contracting-out. At the end of January the Occupational Pensions Board indicated that they expected from the whole country about 15,000 applications to contract out and that they had by then issued only 1,500 contracting-out certificates, that is, a tenth of the total. By the same date certificates had been issued for as many as three out of ten of the schemes we administer. It was striking proof too of the efficacy of our preparations that two out of the first five contracting-out certificates issued went to schemes under our administration. Our staff are to be congratulated on the way they have responded to this heavy challenge.

CANADA

The past year has seen Canada faced with rising unemployment, political constraints and the economic consequences of the three year prices and incomes plan introduced to combat inflation. In these conditions it is satisfactory to be able to report that our new business figures not merely set new records but showed a markedly higher rate of growth than that reported by the industry generally. It is not easy to forecast what 1978 may bring forth. During the spring a start will be made in dismantling the controls imposed by the regulations of the Anti-Inflation Board. Fiscal changes, already announced, may be expected to stimulate the economy and from this point of view there are grounds for cautious optimism. Against that however there are the fears that these very measures may increase existing inflationary tendencies, and, with the consumer price index already rising at just under 9% per annum, the dangers are obvious. The situation in Quebec and the future of that province leave another question mark hanging over the scene.

It would be injudicious for an outsider to comment on domestic politics, but as a company which was the pioneer of life assurance in Canada when it established an agency in Quebec in 1833 and opened its Head Office for Canada in Montreal, where it still remains, in 1846, we cannot feel ourselves to be utter strangers. Indeed current experiences in Scotland may make it easier for us to sympathise with our friends in Canada than if we had never ourselves had to consider the problems of conducting a nation-wide business from a Head Office sited in a country where highly developed nationalistic ambitions are emerging ever more strongly. But while not denying this natural sympathy it is fair to say that one feature in Canada which does cause us concern is the question of the new laws making French the official language of Quebec. Regulations have yet to be published dealing with the application of these laws to Head Offices of international organisations like Standard Life whose clientele is predominantly English speaking. It is to be hoped that a *modus vivendi* may yet be found. Strong as are the ties of sentiment which bind us to Montreal, the efficiency of the whole of our Canadian operations must be our primary concern.

I cannot close this section without a brief reference to the retirement from the Canadian Board of Mr W. A. Arbuckle. When he demitted office as its Chairman tribute was paid by my predecessor to the services he gave to us in Edinburgh as a member of our main Board. Now that he has reached retirement age, and has therefore had to sever his connection with the company, I gladly endorse what Mr Risk said, and add my own thanks for the even greater work Mr Arbuckle did for Standard Life in Canada.

DEVOLUTION

At the time of writing it is not clear in precisely what form the Scotland Bill, which is now ploughing its weary way through Westminster, will emerge from Parliament. From Edinburgh it is hard to escape a feeling that there is a degree of unreality in the proceedings. It is rather as if the Southern view was almost that this was virtually an academic exercise which could have no practical result. I believe this to be a dangerous illusion. I fear that, as the proposals now stand, the Bill carries within itself the seeds of the disruption of the United Kingdom, and that this would not be to the advantage of any of the partners in that union. Greater control of Scottish affairs and better government can surely be achieved without incurring the risk of a clash of opinion between an Assembly in Edinburgh and Parliament in Westminster from which issues could arise which would be likely to be decided more on emotional than on rational grounds.

VALUATION RESULTS

The fall in rates of interest yielded by fixed interest investments and further recoveries in both the property market and in the prices of equity shares have contributed to a very large increase in the excess of the market value of our assets over the figure at which they have been included in our funds. To the extent that increased values are matched by corresponding increases in the income produced by the investments concerned we may regard the gain as real. Otherwise it is no more a cause for elation than the depreciation which our investments suffered in 1974 was a cause for depression. In that year we wrote down our funds by £250m. and in the following year we partially reversed this. It now seems appropriate to complete the process. We normally seek a certain stability in the value placed on our funds leaving fluctuations from year to year to be reflected in the size of our investment reserve. It is surely legitimate to hope that current conditions are more "normal" than those of 1974 and this is the main reason why we have taken the present step. Even allowing for this, the yield shown on the written up funds is virtually the same as in 1976.

The main basis of the valuation of our liabilities has been unchanged. It was a strong basis in 1976; it is stronger today. We have good grounds for confidence in facing the future despite doubts about future levels of inflation. We have therefore felt it right to increase both our reversionary and our special bonus rates. Our policies have long had a well deserved reputation for excellence and I am confident that this declaration will keep us in the forefront. But it is precisely this reputation which makes it prudent for me to sound a warning note. We have gone through a period when rising profits, rents, and yields on fixed interest investment, have all contributed to surplus on a scale which, even a few years ago, would have been considered as quite exceptional. As a result we have grown used to rates of bonus which have moved in one direction only, that is upwards, and we are perhaps in danger of forgetting that if results in future are to be as good as they are now we must continue to earn profits at these levels. I have no doubt whatever of the ability of Standard Life to make the most of whatever conditions the future may hold. Where I part company from some financial commentators and advisers is in their optimistic assumption that the present favourable conditions are bound to continue unchanged in future.

STAFF

During the year there were two retirements to which I should like to refer. Arthur Stepney retired as Assistant General Manager (Life), after last year's Annual General Meeting, having served the Company for forty-seven years. For nearly twenty years of that time he was closely associated with new business matters and the results of his efforts are reflected in the record figures produced each year. E.G. Wedgwood who joined the Company in 1935 also retired. He was the first Regional Manager of the Midland Region in 1973 in Birmingham and had much to do with the successful establishment of a Regional Office there. We wish them both a long and happy retirement.

Each year our business grows not merely in size but in complexity and it is a tribute to the quality of our staff throughout the whole Company that without expansion in their numbers they have been able to maintain the high standards of service our members have come to expect. Both on personal grounds, and on behalf of the Board and those whom it represents, I should like to express our very sincere thanks to Mr Donald and all our staff for their work in what has been another successful year.

Standard Life

The largest mutual life assurance company in the European Community.

Head Office: 3 George Street, Edinburgh.

● NEWS ANALYSIS—EXTEL BOND RATING

A brave decision

BY MARY CAMPBELL

Until now, the rating of the quality of bond issues hardly happened outside the U.S. market. However, the move by Extel to introduce a service in the U.K. is part of a wider trend taking place in a number of countries. In Japan, Nihon Keizai, the leading economic newspaper, has recently introduced a bond rating service, and bond ratings are also now being carried out in Canada. There are moves afoot in other countries too.

In Britain the situation is complicated because the bond market has traditionally played a less important role than in some other countries, notably the U.S. But in the U.S., although the bond rating agencies have come under fire for misleading investors in certain instances, the practice of bond rating is intrinsic to the whole bond market. The attitude towards the U.S. rating agencies— the two main ones are Moody's and Standard and Poors— is summarised in the title to an article once printed about them in Forbes Magazine: "The men who make corporate treasurers tremble."

Extel's decision to get into this business in the U.K. looks brave since the market in U.K. domestic loan stocks has been contracting over the past five years. In 1973 the nominal amount outstanding reached a peak of £7bn. and since then has gradually sunk back to £6.6bn. Taking inflation into account and the fall in market values, this contraction has been dramatic.

For those operating in the market the loss of business has been even worse. Not only are new issues very rare but most of the old stocks are now in the firm hands of pension funds and insurance companies, so there is very little dealing. The turnover last year was only £2.4bn. compared with £145.7bn. for gilts. And this was despite the exceptional boost to activity given by the GEC issue of variable rate stock. Last month loan stocks accounted for only 1 per cent. of stock exchange turnover.

Since 1973 the tendency has been for major companies to make early repayment of existing stocks rather than issue new ones, either to avoid the restrictions of trust deeds or to improve the look of balance sheets.

In these circumstances the value which analysts may attach to the new rating service could be less than in some other countries.

Extel's scheme is organised on a rather different basis from that in the U.S. U.S. agencies rate each issue individually when it is announced and charge the company concerned a fee for the privilege. They also base their ratings to some extent on unpublished data. The ratings are changed from time to time as the agency thinks fit.

Extel ratings will be from A (top) to E (bottom) and will consist of two parts: a rating for the company, based on its size and the extent of its gearing, and a rating for the individual bond issue based on its rank on the pecking order should the company by chance go bust at any stage during the life of the issue. Thus for example Canning Town Glass' 12 per cent debenture for which the final maturity is 1996 is rated "EA," "E" being the rating of the company and "A" the rating of the security.

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By comparison with the approach of the U.S. agencies the Extel approach to rating has been much more formula-based. Extel calls this an "objective formula" but Dun and Bradstreet reflected the different approach of its colleague, Moody's, when it claimed yesterday that it needs more than a formula to provide a satisfactory rating. The formula approach, it feels, fails to give sufficient weight to environmental, political and economic factors — whether, for example, a market is expanding or contracting.

However Dun and Bradstreet does not rule out the possibility of itself starting to rate British companies, although any such development would be likely to result from the introduction by the Moody's group of a wider international rating service of which U.K. bonds would be only one part.

Scot. Western Investment

At present Scottish Western Investment Company is not increasingi ts proportion of investment in the U.K., and the directors continue to feel that their substantial investment in the U.S. will prove rewarding, Mr. J. A. Lumsden, the chairman, tells members.

Some £470,000 was added to U.S. equity holdings, during 1977 and the directors are continuing to make further additions for which purpose US$3m. was borrowed in November, from a bank for two years.

On the basis of market values the percentage of equity investments in the U.K. rose from 31.22 to 41.05 during 1977, while in the U.S., including the premium, it fell to 36.13 (39.26) and in Japan to 11.87 (15.79).

These changes were not caused by any transfer of funds into U.K. equities but were due to the strong performance of the U.K. market as opposed to the disappointing performance of the overseas markets.

In fact, in addition to the extra U.S. investment, £420,000 was invested in Brazil. There were net reductions in the U.K. of £550,000, in Japan and Asia of £650,000 and in Australia of £430,000. The company's holding of U.K. Government stocks were increased by more than £1.18m.

Meeting, Glasgow, on April 3, at 11 a.m.

BIDS AND DEALS

Johnson-Richards holders intervene

A group of major shareholders in H. R. Johnson-Richards Tiles, together representing 25 per cent. of the equity, have taken the highly unusual step of asking that the Board "give the most careful consideration" to the take-over approach made to the company by Hepworth Ceramic on Monday. They also urge that shareholders should be given the opportunity to consider any offer of "not less than 125p a share." This compares with a price prior to Monday's announcement of 84p and a closing level last night of 115p.

The group, which includes London Brick and a number of other "principal family groups," has made this request through a letter delivered to S. G. Warburg, Johnson-Richards' financial advisers.

The letter states that "while it is hoped that it may be possible for the two Boards to agree terms, they fully recognise that the Johnson-Richards' directors may feel unable to recommend any price put forward by Hepworth." It calls on the Board not to seek to frustarte any bid, other than by giving detailed reasons for its possible rejections. In this way, the group states, "the Board would have fulfilled its primary duty to act in the best interests of shareholders as a whole."

NORTHERN FOODS AND SHIPSTONE

Shareholders in James Shipstone, the Nottingham brewers, have recived a letter from Mr. Nicholas Horsley, chairman of Northern Foods, urging them to accept his company's takeover bid, which was rejected by the Shipstone Board last week as being "wholly inadequate."

Mr. Horsley argues that the Northern Foods offer, which expires on March 17, represents a premium of over 71 per cent. on the last recorded Shipstone share price. He criticises the Shipstone defence on the basis that no details accompanied the forecast of "record profits for 1977" or of the revaluation which is expected to result in "a vast increase in the value of your companies properties."

Mr. Horsely also accuses the Shipstone Board of ignoring his argument that accepting shareholders would be exchanging a holding in a security with "very limited marketability for cash and new Northern shares which are readily marketable."

On the other side, Kleinwort Benson, acting for Shipstone, has sent out a telegram to the company's 786 outside shareholders, stating: "A number of shareholders have inquired as to the value that would be placed upon their shares in the absence of any bid. Your directors have received to-day a letter from the auditors, Messrs. Hubbart Durose and Pain, in which they certify that even in the absence of any bid, with existing restrictions on transfer remaining unaltered and on the basis of the intended dividend policy of Shipstone, they would place a value on your shares of 280-282p." The telegram goes on to say: "How can Northern Foods therefore expect you to sell your shares at a price which is virtually no higher, when account is taken of the dividend you would have to give up and which confers no significant premium for the surrender of control of your company."

A spokesman for Shipstone's financial advisers confirmed last night that the auditors' valuation did not take into account any surplus that may arise out of the property revaluation.

BLAKEY'S

A letter sent out to shareholders of Blakey's (Malleable Castings) on behalf of Centreway, which is making a contested take-over bid for the company, casts doubts on the "maintainability of the present level of profits of the company," and also of the dividend.

The letter says that Mr. A. J. Cross and Mr. R. W. Stone, two directors of Blakey's, who are also directors of Centreway, "consider that based on their experience of the affairs of Blakey's, the payment of so high a dividend could be imprudent in view of their understanding of future capital expenditure and working capital requirements, and is directly contrary to the agreed policy of Blakey's Board in recent years."

Centreway, which recently announced that it had over 41 per cent. of Blakey's, says that because of "factors" revealed in a letter from Blakey's chairman the company had decided to increase the terms from 41p a share to 48p. A spokesman for Centreway's financial advisers was unable to specify the factors in question, but said that it was clear "Blakey's is doing better than we took it for."

The offer closes on March 28.

COMPAIR ISSUE

As part of the arangements for financing the acquisition of the fluid power division of Watts Regulator, 2,419,218 Ordinary shares of CompAir, will be issued to Watts.

These shares have been conditionally placed with institutional investors by Morgan Grenfell and W. Greenwell, at 89p per share. The placing is conditional on completion of the acquisition by CompAir taking place on March 17; on allotment of the new shares; and on The Stock Exchange admitting the new shares to the Official List.

The new shares are to be issued to satisfy $4m. out of the total purchase consideration of $15m. The remaining $11m. is being financed as to $3m. from CompAir's own resources, and as to $8m. from a short-term loan facility provided by Morgan Guaranty Trust of New York. CompAir has arrangements in hand to replace this short-term facility by a long-term loan from a U.S. lender, the terms of which are now under negotiation.

DRG DEAL OFF

Power Products Inc. has announced that negotiations for Dickinson Robinson Group to buy the American company have been terminated. No reason has been given.

The negotiations were revealed in mid-January at which time Power's directors, owning 42 per cent. of the equity, were holding out for a price of $15 per share, equivalent to £4.7m. for the whole company. The shares had recently been changing hands in "over the counter" deals at $4 per share.

DCM AND FLAIR TO EXTEND SALES AGREEMENT

Following the acquisition by Dunbee Combex Marx of the toy and hobby business of Aurora Products in the U.S., discussions are taking place to extend the contract with Flair Toys, a subsidiary of Berwick Timpo, for the marketing of Aurora products in the U.K. The present Flair agreement runs until December 31, 1979, and is on the basis of 10 per cent. of net sales.

Both companies are keen to ensure that the present sales and marketing pattern should not be disturbed.

DENBYWARE TO DROP FURNITURE

Denbyware's unhappy venture into the U.K. furniture business is to be brought to an end.

When current stocks of furniture are exhausted, the ranges will be handled by Colley Furnishing Services, one of whose principals is Mr. Malcolm Colley, a non-executive director of Denbyware.

The diversification into furniture started in 1976. Denbyware started importing high quality American products into the U.K. and other European markets. The move was said to be in line with a general long term strategy summed up in the phrase, "Denby the natural home makers."

But the new operation went wrong almost immediately. The setting-up costs in the U.K. were substantial and then the business ran foul of currency movements. The furniture was being bought in dollars, a firm currency at the time, while it was being sold in weak sterling. To make matters worse "our selling prices were determined before the onset of this decline" as Mr. George Robinson, Denbyware's chairman wrote in his annual report.

SHARE STAKES

Dixons Photographic: Following the death of life president Mr. Charles Kalms, on February 24 and the consequent rearrangement of various Kalms family shareholding, company announces the following changes in directors' interests.

Mr. P. Kalms and Mr. H. S. Kalms have disposed of a joint non-beneficial interest in 50,000 shares.

Mr. H. S. Kalms has ceased to be interested in 930,280 shares. Mr. P. Kalms has disposed of a non beneficial interest in 845,421 shares.

Amalagamated Stores: Inter European Import exercised, on March 8, an option to purchase 1m. Ordinary shares (6.16 per cent.). Leonard Phillips on the same date disposed of 1m. to Inter European Import. Mr. Phillips' interest is now 2.25m. shares (13.57 per cent.).

Change Wares: Mr. Joseph Eiger on March 1 sold 100,000 of his 940,625 12 per cent. conv. cum. participating preferred redeemable shares.

SPEY STEPS UP CRAY STAKE

Spey Investments, which is wholly-owned by Grindlay Brandts —itself 51 per cent. controlled by Grindlays Holdings—has bought a 26.6 per cent. holding in Cray Electronics from Crest Nicholson at 26p a share. Together with its existing stake in Cray, this takes the Spey holding to just over the 80 per cent. level and triggers off a general bid on the same terms under Rule 34 of the City Code.

However, Spey is appealing to Cray shareholders not to accept the offer as it intends to maintain the Cray quotation on the Stock Exchange. Spey stated yesterday that it would be "making any placing arrangements that may be necessary" and a spokesman said last night it was the intention "for the time being" to maintain the Spey stake at over 51 per cent. Any placing of the shares would be as "widely spread as possible," he added.

Spey, now run as an investment holding company and which has a number of other industrial interests, has said that it intends to support Cray's existing policies and to expand the company both organically and by acquisition. Spey also intends to "encourage a policy of continuing dividend growth."

The transaction comes as a result of an approach by Spey to Crest Nicholson, which acquired its holding in Cray through an earlier acquisition and by subscribing to a rights issue by Cray at the end of 1976. The price—considered by Crest Nicholson to be "adequate"—places a value on the Crest stake of £686,000, compared with a book value of £842,000. The sale also represents the disposal of Crest's only minority holding. Mr. David Donne, the Crest chairman, said yesterday that it had never been his company's intention to hold the stake forever, and that the proceeds would be redeployed within the group's other businesses.

Carrington Viyella expects progress

BENEFITS of a predicted up- in consumer spending in the od half of 1978 and constraints low cost imports, following wal of the Multi Fibre ngement, give grounds for confidence that Carrington lla will continue to show pro- s, Mr. L. Regan, the chairman

st examination of the detailed es of the package of bi- al agreements with low cost le supplying countries and the suggest that the effects will eneficial and will enable the pany to plan more effectively the future, he says.

e company has just spent than £5m. over three years ationalisation and re-organisa- and Mr. Regan hopes that er large scale rationalisation not become necessary.

e new spinning mill at Ather- is on schedule. Production is cted to begin this month, and fabric manufacturing division show substantial improve- ts in productivity and profit- ty from 1978 onwards the ctors say.

tal external sales for 1977 ed ahead to £304.32m. 8.16m.) and taxable profits ped to a record £16.32m. .85m.) — as reported on ruary 23. The net dividend is ed to 2.104p (1.88375p) per 25p e.

efore charging re-organisation s of £2.18m. (£1.72m.) return capital was better at 14.6 per . (13.9 per cent.). In May, to reduce reliance on short medium term borrowings, n. net was raised by a placing 0m. shares. This reduced the of net borrowings to funds 9 per cent. (65 per cent.).

t year end, net bank overdrafts e down £7.56m. (up £9.04m.). ital spending contracts unted to £4.6m. (£7.7m.) and rther £1.6m. (£2.8m.) had been roved but not contracted. ital expenditure during 1977 up from £9.15m. to £12.48m.

t February 15, 1978, ICI Hold- held 42 per cent. of the equity ICI 7.4 per cent.

nalysis of external sales and orts by activity shows, fabric ufacture £125.2m. (£108.5m.) £18.4m. (£16.6m.); household iles £61.8m. (£59.1m.) and £13.9m. (£11.4m.); and garments £71.3m. (£38.6m.) and £8.6m. (£4.5m.). Miscellaneous turnover amounted to £0.8m. (same) and overseas sales were down at £45.4m. (£51.2m.).

The profitability of U.K.-based operations was satisfactory but did not achieve expectations in the second half. Retail trade was disappointing from July and did not begin to pick up until mid-November, Mr. Regan explains.

In general overseas operations were disappointing. The economic climates in Italy and Canada proved to be worse than anticipated but Canada now appears to be over the worst.

Meeting, The Dorchester, W, April 5 at noon.

Halftime loss for Brigray

For the six months to October 19, 1977, Brigray Group, a maker of clothing and jersey fabrics, incurred a pre-tax loss of £46,000, compared with an £86,000 profit for the half year to July 31, 1976, which included regional employment premiums amounting to £131,000.

Turnover came to £1.11m. (£1.01m.) and there was a loss of per 5p share of 0.6p (1.13p earnings). Again no interim dividend is to be paid for the previous 14½ months period no payments were made from a profit of £164,000.

The directors state that they have been trying to improve profit margins but were not able to reduce group overheads as anticipated, as a result of the delay caused by builders in renovating the Newman Street freehold property. It is anticipated, however, that the property will be available for disposal in the near future.

When this is done and the expansion in productive capacity commences as a result of the £160,000 Welsh Development Agency loan to the company being utilised, these benefits coupled with an expected improvement in profit margins should start to be reflected in the results, they say.

Profit leap by Stothert & Pitt

REPORTING A jump in pre-tax profit from £319,000 to £619,000 for the 28 weeks to January 14, 1978, the directors of Stothert and Pitt, an engineering group, state that the improvement in results is expected to be maintained.

Turnover advanced to £13.07m., against £11.26m. Profit was struck after depreciation of £141,000 (£111,000), lower bank interest £31,000 (£186,000) and HP interest £23,000 (£26,000).

Tax took £321,000 (£203,000), leaving th net balance up from £116,000 to £298,000. The interim dividend per £1 share is stepped up to 2.4p (2.145p) net—for the whole of the previous year, payments totalled 9.5502p from a record £933,000 taxable surplus.

	28 weeks 1977-78 £000	1976-77 £000
Turnover	13,067	11,262
Depreciation	141	111
Bank interest	31	186
HP interest	23	26
Pre-tax profit	619	319
Tax	321	203
Net profit	298	116
Extra-ord. credit	14	4

Brighter U.K. prospects for Marchwiel

Mr. A. J. McAlpine, chairman of Marchwiel Holdings, says that there appears to be an upturn in workload prospects in the U.K. and in recent weeks several substantial contracts have been obtained. "Undoubtedly the position at home is much sounder than a year ago," he declares.

Overseas the group hopes to sign large contracts in the near future. Negotiations for work overseas take far longer overseas than at home and competition is severe. Nevertheless the chairman is convinced that long term prospects there are good.

While he hopes again for satisfactory profits for the group in the current year he says that it is very difficult to forecast them with any degree of accuracy.

In the year ended October 31, 1977, group pre-tax profits increased from £10.73m. to £13.38m. U.K. profits rose from £7.45m. to £11.99m. while the overseas contribution fell from £3.28m. to £1.39m.

The chairman says that although the decrease in overseas profit is disappointing, it does not truly reflect current trading and is mainly due to two factors —a dispute with a client on a large overseas pipeline contract and the heavy costs in setting up new companies in the Middle East. In the case of the dispute the group is taking all appropriate action to effect recovery as soon as possible.

While the increase in profitability at home is pleasing it does include some settlement of old contracts and further settlements should also help the current year's trading.

Liquid resources and short-term investments have further increased during the year and now represent nearly 220p a share. The group is constantly examining opportunities to make better use of these liquid resources in order to ensure a higher return than currently being achieved on short-term money.

Meeting, Chester, April 4 at 11 a.m.

MINING NEWS

General Mining earns and pays more

BY KENNETH MARSTON, MINING EDITOR

THE BIG Afrikaner mining and industrial house, General Mining, has lifted its 1977 net earnings to R43.3m. (£26.3m.)—equal to 520 cents (316p) per share—from R34.5m. in 1976. An increased final dividend of 135 cents brings the 1977 total to 225 cents against 210 cents last time.

Operating income has provided the major portion of the increase in earnings while there has also been a rise in the surplus on realisation of investments. Income from investments, however, has declined.

	1977 R000	1976 R000
Operating income	124,721	116,781
Investments income	40,797	45,395
Surplus on realisation of investments	3,545	2,506
Making	169,063	164,682
Amortisation	9,559	6,855
Interest paid	30,746	33,187
Expln. and devpt. costs	9,734	10,072
Provisions against invests.	5,151	7,779
Profit before tax	113,873	106,789
Tax	27,615	28,793
Profit after tax	86,258	77,996
Outside shareholders	42,995	43,463
Attributable	43,263	34,533
Interim (90 cents)	7,395	7,389
Final (135 cents)	10,689	9,852
Income retained	25,179	17,292

General Mining, which now controls Union Corporation, is itself controlled by Federale Mynbou. The group is second in size only to Anglo American Corporation in the South African mining house set-up.

As part of its many activities, the General Mining group produces some 18 per cent. of South Africa's gold output, 35 per cent. of its platinum, 26 per cent. of its uranium and 38 per cent. of its coal.

Income from these sources should rise this year, probably offsetting any reduction in that of the important industrial interests. Net assets equal 5,453 cents (£33.18) per share, the London price of which was £16¼ yesterday.

Federale Mynbou also announced its 1977 results yesterday. Net profits have increased to R27.64m. (£16.8m.), equal to earnings of 94.6 cents (57.6p) per share, from R24.56m. in 1976. The market value of listed investments is put at R447.85m. and net assets amount to 1,035 cents per share.

INEXCO TO SELL URANIUM LANDS

Inexco Mining, the exploration arm of Inexco Oil of Houston, is conducting negotiations with an undisclosed company for the sale of its uranium-nickel-copper properties in northern Saskatchewan, reports John Soganich from Toronto.

Mr. Erving Wolf, the chairman, stated he was optimistic that an agreement in principle would be reached in the near future. But Inexco's joint venture partners, Saskatchewan Mining Development, the state-owned company, and Uranerz Exploration, a subsidiary of the German Uranerzbergau have a right of first refusal to match an acceptable offer.

Inexco owns a one-third interest in two deposits in the Key Lake area, a 25 per cent. stake in a third deposit near Maurice Bay on Lake Athabasca and an interest in 800,000 acres of prospective exploration properties.

Earlier the company had announced a budget of $9m. (£4.7m.) for mining expenditure this year, most of it destined for the Key Lake area where reserves have been put at 102m. lbs of uranium oxide and 65.9m. lbs of nickel.

Bougainville borrows more

THANKS to its important gold production, the Rio Tinto-Zinc group's big Bougainville copper-gold mine in Papua New Guinea is still keeping its head above water while the majority of other copper mines are now operating at a loss with metal prices at the lowest in real terms for over 20 years.

As already reported, however, Bougainville's net earnings last year fell to Kina 28.53m. (£20.5m.) from K41.37m. in 1976 and the dividend total was reduced to 8 toea (5.7p) from 10 toea.

In the annual report the chairman, Mr. F. F. Espie, points out that the revaluation of the kina against the U.S. dollar in which the company's sales revenues are earned is depressing income. As a result it has been necessary to arrange additional borrowings—facilities of $64.2m. have been provided—to finance capital expnditure, working capital and loan repayments.

He confirms that the proposed new mining tax legislation in Papua New Guinea will not effect the company which will continue to operate under the terms of its existing agreement.

Mr. Espie makes no comment on current year's prospects. But as far as sales are concerned the Japanese buyers have returned to their full level of contractual deliveries and have indicated their desire to take some tonnages of concentrates which were deferred from previous years' commitments. Furthermore, China has expressed interest in arranging a long term contract.

Bougainville ranks as one of the world's major gold producers and gold is going to be an even greater help in the current year. In 1977 when copper prices averaged 59.3 cents per pound, gold averaged $148 per ounce and provided K81.3m. of the mine's total net sales revenue of K200.6m.: copper is currently around 58 cents while gold has advanced to $187¾. Bougainville shares were 91p yesterday.

South African export growth

SOUTH AFRICA'S mineral export earnings are expected to show a further significant increase this year, according to the Chamber of Mines. Last year's mineral sales rose by 24.1 per cent. to R5.51bn. (£3.35bn.), but this included diamond sales for the first 11 months only.

The higher prices being received for gold, uranium, platinum group metals and diamonds, plus a steady expansion in coal and iron ore exports, should ensure a positive growth in mineral exports. But the Chamber said that this will be at a lower rate than that of the last two years.

The Chamber warned that the gold mining industry could not grant further substantial wage increases unless there was a corresponding improvement in productivity. Despite the high price of gold, concern is felt about the continued advance in mining costs—notably as a result of wage rises—and unless this increase can be reduced the industry's life expectation must again be revised downwards.

ROUND-UP

Australian gold production reached its highest level for five years in 1977, the Bureau of Minerals Resources estimated in Canberra. Output was 19,600 kg. against 15,637 kg. in 1976, as older producers mined more and as the Telfer mine of Newmont and BHP came on stream. Domestic consumption rose 78 per cent. to 6,600 kg.

Hamersley seeks higher ore prices

AGAINST THE background of a warning from Japan that iron ore deliveries will have to be cut back, Hamersley Holdings, the Rio Tinto-Zinc group's producer in the Pilbara region of Western Australia, yesterday made it clear it expects price increases for contracts now being negotiated.

The warning came in talks between the Japanese steel industry and Mr. Doug Anthony, the Australian deputy Prime Minister. Reports from Tokyo said Mr. Saburo Tanabe told Mr. Anthony that he does not expect the current situation in the steel industry to improve for a few years.

The industry would be forced to "adjust delivery of raw materials." Mr. Tanabe is quoted as saying. In the year starting next month, Japanese iron ore imports, nearly half of which come from Australia, are expected to be some 150m. tonnes, or 30 per cent. more than requirements.

Mr. Tanabe's remarks will add fuel to the suggestions, already being made in Western Australia, that large scale cutbacks on the Pilbara are inevitable in the next few months.

The companies involved have been cautious in their comments. Mr. Elwin Smith, president of Amax Iron Ore, which handles marketing for the Mount Newman joint venturers, told the Financial Times. "Mount Newman will not be shut down in any way whatsoever." Total 1978 production would be much the same as in 1977. But in that year 61 days were lost through strikes.

At Mount Goldsworthy, where Consolidated Gold Fields is the major partner, it is thought that the chances of bringing the new Area C to production are receding. Without some commitment to the development of Area C, the mine will close once the northern reserves have been exhausted.

Goldsworthy, which did not have the benefit of price increases from Japan last year (unlike Mount Newman and Hamersley) is seeking to renegotiate its price contracts. The mine has a positive cash flow but is incurring a financial loss, and all Goldsworthy seeks from the Japanese is price parity with other producers.

The Hamersley annual report for 1977, published in Melbourne yesterday, points out that four contracts are being negotiated this year, accounting for half the company's deliveries to Japan over the next three years.

Hamersley expects cost inflation to be recognised in the contracts. In a comment on deliveries, the report says that Japanese mills have already exercised their options to take 10 per cent. less than the contracted amounts, and this year it expects total shipment to fall to 33m. tonnes from 36m. tonnes in 1977.

In London Hamersley shares were 167p yesterday in a quiet market.

MINING BRIEFS

EX-LANDS NIGERIA—February production of tin ore 25 tonnes (January 27 tonnes).

AMALGAMATED TIN OF NIGERIA—February production of concentrates: tin 161 tonnes (January 132 tonnes), columbite 17 tonnes (January 10 tonnes).

KINTA KELLAS TIN DREDGING—February output 35½ tonnes (January 42¾ tonnes).

RAHMAN HYDRAULIC TIN—Output for February 89 tonnes (January 94 tonnes).

WHEAL JANE—Production of tin contained in concentrates: February 58.93 tonnes (January 52.32 tonnes).

Standard Life goes heavy on gilts

Standard Life Assurance Company, the largest life company in Scotland, put about two-thirds of its new money last year, amounting to just over £100m., in the gilt market, revealed by Mr. David Donald, the general manager and actuary.

This was about the same amount invested in the previous year and was made to take advantage of the continuing high yields on fixed-interest stocks.

The company invested about £35m. in equities much of this taking place through rights issues and the BP placing. A smaller amount than originally anticipated was put into property investment.

But Mr. Donald pointed out that this lower property investment did not represent a change in strategy. Its broad aim was still to split its money outside the fixed interest sector roughly on equal amounts between equities and property. Last year's lower amount arose because of delay in anticipated developments. The company still had a full property development programme in being.

The annual report shows that premium income in 1976-77 rose by 6 per cent. to £177m. and annuity considerations by 3 per cent. to £38.5m. Investment income rose by £15m. to £155m., reflecting the improved returns from equity dividends and property rental income as well as higher yields from fixed-interest. Claims and expenses were 8 per cent. higher so that the trading activities showed an excess of income over expenditure of £217m. against £202m. in the previous year.

But as Mr. Donald points out, the company had to adjust for the lower value of the Canadian assets held to cover Canadian liabilities which for the year suffered from the weakness of the Canadian dollar. This wrote £142m. of asset values. There was a transfer from investment reserve of £100m. so that total life funds in sterling trems rose from £1.62bn. to £1.81bn.

Mr. Donald also referred to the record bonus levels declared for 1977. But he warned of either bonus rates coming down or premium rates being increased if gilt yields fell below 10½ per cent.

MONEY MARKET

Interest rates decline

Bank of England Minimum Lending Rate of 6½ per cent.
(since January 6, 1978)

Interest rates declined in the London money market yesterday afternoon, following a favourable reaction to the latest U.K. trade figures, which were better than generally expected. The three-month sterling certificate yield fell to 6¼-6½ per cent. from 6¾-6⅝ per cent., while discount houses buying rates for three-month Treasury bills fell to 5⅝ per cent. in places from an earlier level of 5⅞-5¾ per cent.

Day-to-day credit was in slightly short supply, and the authorities gave assistance by buying a small amount of Treasury bills from the houses.

Banks brought forward surplus balances from Monday, and Government disbursements exceeded revenue payments to the Exchequer. These were outweighed by a slight net take-up of Treasury bills, a rise in the note circulation, and maturing local authority bills held by the authorities.

Discount houses paid 6-6½ per cent. for secured call loans in the early part, and closing balances were taken at 5½-5¾ per cent.

In the interbank market overnight loans opened at 6½-6⅝ per cent., and fell to 5½ per cent. before closing at 6½ per cent.

Rates in the table below are nominal in some cases.

Mar. 14 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	5½-6⅛	—	—	—	6⅛	5½-6½	—	—	—
2 days notice	—	—	6¼-5⅝	—	—	—	—	—	—	—
7 days or 7 days notice	—	6⅛-6⅞	6¼-6⅜	—	6⅛-6¾	6⅛	6⅞-6¼	—	—	—
One month	6⅜-6¼	6⅜-6½	6¼-6⅜	6¾ 6⅜	6⅝-6⅞	6¾	6	5⅞-5⅞	6⅛	7
Two months	6½-6⅜	6⅝-6¾	—	6⅞ 6⅜	6⅝-7	—	6	5⅞-5⅞	6¼	7
Three months	6⅝-6½	6⅝-6⅞	6⅝-6¾	7-6⅞	7-7⅛	7	6⅛-6¼	5⅞-5⅞	6⅛	7
Six months	7⅛ 6⅞	7⅛ 7⅛	7¼	7-6¾	7½-7¼	—	—	—	6⅞	7⅝
Nine months	7⅛-7⅛	7½ 7⅛	—	7⅛ 7	8¼	—	—	—	—	—
One year	7¾-7⅛	7½-8⅛	7⅞-8	7½ 7⅝	8½	—	—	—	—	—
Two years	—	—	9	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rate nominally three years 10-10½ per cent.; four years 10¼-10½ per cent.; five years 10¾ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 6⅞ per cent.; four-month trade bills 7¼ per cent.

Approximate selling rates for one-month Treasury bills 5¾ per cent.; two-month 5⅞-5⅞ per cent.; and three-month 5⅞-5¾ per cent. Approximate selling rate for one-month bank bills 6⅛ per cent.; two-month 6⅜ per cent.; and three-month 6⅝-6⅜ per cent. One-month trade bills 6⅝ per cent.; two-month 6⅞ per cent.; and also three-month 6⅞ per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from March 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Base Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.9139 per cent.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Curtiss-Wright—Kennecott stake

BY JOHN WYLES NEW YORK, March 14.

A FASCINATING battle for control of Kennecott Copper Corporation has started to unfold with the revelation that Curtiss-Wright, a diversified aerospace and nuclear systems manufacturer, has acquired nearly 10 per cent. of the company's stock.

While Curtiss-Wright is for the moment being enigmatic about its intentions, it is doing nothing to curb speculation that it has set its sights on an acquisition in which it would play David to Kennecott's Goliath.

Although Curtiss-Wright has a market valuation of only around $155m. compared with Kennecotts close to $800m., the Financial Times learned this morning that it claims that major lines of credit have been arranged with a group of banks including Manufacturers Hanover, Citibank, Dominion Bank of Canada, Credit Lyonnais and the Bank of Tokyo.

After weeks in which the market had been intrigued by heavy activity in Kennecott's stock, Curtiss-Wright disclosed last night that it had filed the necessary 13D form with the Securities and Exchange Commission showing that it had spent $77m. acquiring 3,287,400 of Kennecott's shares—a 9.9 per cent. holding.

The company also told the SEC that the market price of Kennecott's shares was "substantially less than the value underlying the shares." In Curtiss-Wright's opinion, Kennecott ought to seek to sell some or all of its assets and make the proceeds available to shareholders in some form.

Curtiss-Wright said it had no immediate plans to acquire Kennecott, but it might consider seeking control and may buy more stock depending on the market and other conditions.

The SEC filing indicates that Curtiss-Wright's next move will be to seek a change in Kennecott's top management which has just been re-organised following last year's $565m. acquisition of Carborundum. Curtiss-Wright has obtained a list of Kennecott's shareholders and the company is expected to seek proxy support for a proposed slate of directors whose election would be sought at Kennecott's annual stockholder's meeting on May 2.

Kennecott has been at the centre of takeover rumours even since it sold Peabody Coal Company last year for $1.2bn. The acquisition of Carborundum was partly designed to deter would-be bidders and to boost a modest earnings record. However, the purchase upset several sizeable stockholders who argued either that too high a sum was being paid for Carborundum or that Kennecott ought to find a home in a more diversified company.

One intriguing aspect of the Curtiss-Wright manoeuvre is that this New Jersey company is 30.2 per cent. owned by the giant Teledyne Corporation. Teledyne has major holdings in 14 companies which it says are for investment only. Some analysts believe that it may be only a matter of time before Teledyne seeks full control of one of these companies.

Corco to terminate agreements

NEW YORK, March 14.

A FEDERAL Bankruptcy Judge in San Antonio has authorised Commonwealth Oil Refining (Corco) to terminate certain joint venture and materials supply agreements with PPG Industries and W. R. Grace.

Commonwealth filed a petition to reject the agreements in connection with the company's proceedings under Chapter 11 of the bankruptcy laws.

Judge Bert W. Thompson authorised Commonwealth to terminate its contract to supply propylene to Oxochem Enterprise, its joint venture with Grace. He also granted authorisation to terminate the companies joint venture and integration agreements with PPG for their joint venture with Olefins of Puerto Rico.

Commonwealth has not said yet what action it intends to take following the Court's action.
AP-DJ

Food processing arm boosts full-year earnings at Weston

BY JAMES SCOTT TORONTO, March 14.

DISPOSAL of unprofitable retailing operations in Canada, record results for its food processing division and the return to profitability of its subsidiary Loblaw Companies helped George Weston, the international food retailer, to report a profit from on-going operations of $C27.4m. ($US24.4m.) for 1977, compared with $C15.8m. a year earlier.

An extraordinary gain in the latest year increased final profit to $C32m.

In 1976 there was a loss of $C24.1m. from discontinued operations and an extraordinary loss of $C6.4m. which resulted in a final loss for that year of $C14.7m. Revenue for 1977 was $C4.59bn. ($US4.08bn.) compared with $C4.34bn.

Profit from the company's fisheries division reached more satisfactory levels last year. The forest products division operated at a small profit in the final quarter of the year offsetting the losses experienced in the first three quarters.

Profits rise at Thomson Newspapers

By Our Own Correspondent

TORONTO, March 14.

SIGNIFICANT growth in the earnings from its U.S. operations helped Thomson Newspapers to report profit of $C47.3m. ($U.S.42.1m.) for 1977, well up from $C40.8m. a year earlier. The revenue jumped to $C256.95m. ($U.S.229m.) from $C217.56m.

Returns from its Canadian operations were limited by the guidelines established by Canada's anti-inflation programme. The company, which last year spent about $C20m. on new plant and equipment and additions and alterations to existing plant, says the outlook for 1978 continues to be favourable.

Carter Hawley earnings rise by 20%

NEW YORK, March 14.

CARTER HAWLEY Hale, one of the nation's largest retail stores which was recently frustrated in its bid to buy Chicago-based Marshall Field, announces an increase of 20 per cent. to $50.1m. in earnings for 1977, with share earnings at $2.37 against $1.97. Sales moved up from $1.37bn. to $1.51bn.

For the final quarter, the group reports net earnings 22 per cent. up at $29.3m., or $1.25 a share against $1.19. Sales improved from $467.5m. to $528.5m.

Carter which disclosed a week ago that it has agreed to merger with Jon Wanamaker of Philadelphia, achieved record earnings of $8.8m. for the third quarter.

The results for the fourth quarter confirm the success of Carter during the November and Christmas period. At the nine month stage, earnings at Carter were 16 per cent ahead. In November, the group announced a sales increase of 12 per cent.
Agencies

National Distillers

National Distillers and Chemical Corporation and Emery Industries have agreed to merge Emery into a wholly-owned subsidiary of National, Reuter reports from New York.

FTC halts merger

The Federal Trade Commission has asked Federal Judge Myron L. Gordon to halt plans for the merger of Harnischfeger Corporation and Northwest Engineering Corporation, AP-DJ reports from Milwaukee. The FTC claimed that the merger would violate federal anti-trust laws.

Fluor cautious

Fluor Corporation's second quarter earnings "could be lower" than the year-ago period because of the nationwide coal strike. The company, which owns a 10 per cent. interest in Peabody Coal, earlier said first quarter earnings of $18.6m., or $1.10 a share, were adversely affected by 8 cents a share due to the coal strike, AP-DJ reports from Costa Mesa.

Esmark buys STP for $117m.

BY STEWART FLEMING NEW YORK, March 14.

ESMARK, a major U.S. consumer products group best known for its Playtex undergarments division is to pay $117m. in cash for STP, which markets automotive chemical products in 130 overseas markets.

STP's main product is STP Oil Treatment but it also sells other motor additives. It had sales revenues of $86m. in 1977 and earned net profits of $3.7m.

About 61 per cent. of its shares are owned by Studebaker-Worthington which make electrical equipment, compressors and pumps. It has said that it will vote in favour of the $22.50 a share offer.

Esmark in 1977 reported sales revenues of $5.2bn. and net profit of $67m. or $3.60 a share.

STP was one of the most active stocks on the American Stock Exchange this morning, with its shares rising 6¾ to $21 each.

Last month the company agreed to pay $700,000 in settlement of an action by the Federal Trade Commission which alleged that the company had deceived consumers through false advertising. The FTC said that it had made unsubstantiated advertising claims of reduced oil consumption for motorists who used STP Oil Treatment and for the superiority of its double oil filter.

STP blamed faulty testing of its products by an outside concern. Company officials deny that the proposed sale of STP is related to the FTC action and say that sales have not been significantly affected by the FTC action. But industry observers question whether the full effect of the FTC decision has yet to be determined.

Honeywell drops model

By Our Own Correspondent

NEW YORK, March 14

HONEYWELL, one of the world's leading computer manufacturers, has decided not to market a new model it foreshadowed 14 months ago because it has not been able to make new technology cost effective.

The model, known as 66-85 was to have been part of its Series 60 computer family. It was to have utilised current mode logic, a sophisticated type of integrated circuit that speeds computer operations. But the company said that the technology turned out to be very expensive and not cost effective.

Cut in Can. Pac. audited figures

BY ROBERT GIBBENS MONTREAL, March 14.

CANADIAN Pacific, the major resources and transport group, had audited earnings of $C239.9m. (some $U.S.214m.) or $C3.31 a share in 1977, and including $C7.2m. of extraordinary income, the final figure was $C247m. or $C3.41 a share.

This compares with the preliminary estimate of $C248m. or $C3.43 a share, including extraordinary items, and also with $C190.5m. or $C2.62 a share in 1976.

The extraordinary item represented Canadian Pacific's share of the net gain by Canadian Pacific Investments (the resources subsidiary) from the sale of a leasing company.

Earnings from various operations include: CP Rail $C54.8m. ($C51.1m.); CP Trusts $C772,000 ($C1.8m.); CP Telecommunications $C2.6m. ($C2m.); CP Air $C3.3m (loss $C9.8m.).

CP Ships had a loss of $C10.3m. against net income of $C3.6m.

Currency loss hits Seagrams

MONTREAL, March 14.

EARNINGS at Seagram, the Canadian drinks giant, were again hit by foreign currency losses in the second quarter of the current year. Net earnings for the six months totalled $C1.14 a share against $C1.34, on total net of $C40m. ($US36m.) compared with $C47.1m. in the previous year, with sales of $C1.2bn. ($US1.06bn.) against $C1.1bn.

For the second quarter, earnings of 34 cents a share compared with 39 cents previously. Second quarter net earnings slipped from $C13.73m. to $C11.9m. on sales which increased from $C574.5m. to $C610.2m.

The company says that the six month figures include a loss from foreign currency translations of 12 cents a share for the current period compared with a loss of 18 cents previously and the second quarter reflects a similar loss of 11 cents against two cents.
Agencies

Canadian steel plate prices rise

BY OUR OWN CORRESPONDENT MONTREAL, March 14.

HIGHER prices on a wide range of steel products are expected in Canada from the middle of April. While an increase was expected in the first half some increases range up to nearly 8 per cent., more than most estimates.

Steel Company of Canada, the largest company in the industry and which usually sets the price pattern, confirmed it will raise plate prices about 3 per cent. on April 16.

Dominion Foundries, also of Hamilton, second largest company and which specialises in sheet, said it will raise cold rolled sheet and strip, hot rolled sheet and tin mill products between 5.5 per cent. and 7.6 per cent.

Siemens talks on Brazil link

BY DIANA SMITH RIO DE JANIERO, March 14.

DEDINI, the Brazilian manufacturer of heavy equipment, is dissociating itself from the Elliott company of the United States and going into a joint venture with Germany's Siemens. Details of the latter venture are still in the negotiating stage.

Announcing his approval of this decision in Brasilia yesterday, the Minister of Industry and Trade Sr. Angelo Calmon de Sa said that, because Elliott had not agreed to transfer know-how for the manufacture of steam turbines to Brazil, and Siemens had complied with this, Dedini preferred to form a joint venture with a company offering conditions more in line with Brazilian policies.

The Brazilian Government is encouraging joint ventures or agreements that will ensure effective transfer of know-how (preferably without payment of royalties) so that in due course, the country can manufacture its own modern equipment.

Dedini has already formed a joint venture with Japan's Kawasaki Steel, under which Kawasaki has set up an engineering office in Brazil to ensure real transfer of technology.

Elliott's Brazilian representatives maintained that they had agreed to transfer know-how free of charge for production of turbines ranging from 1,000 to 4,000 horsepower, and had only held back on transfer of know-how for more sophisticated turbines so that this could not be used against Elliott on the international market.

In 1976, Elliott's Brazilian branch presented proposals to the Brazilian Industrial Development Council (CDI) for local manufacture of steam turbines. These were rejected because Dedini and another Brazilian company, Zanini had presented proposals for manufacture of similar equipment through licensing or joint ventures with foreign companies.

Foreigners seek State incentives

BY OUR OWN CORRESPONDENT RIO DE JANEIRO, March 14.

BRAZIL'S National Economic Development Bank (BNDE) has announced that 117 subsidiaries of foreign companies have asked to be registered on the Government-sponsored industrial incentive fund list (FINAME).

Financing will be obtained from a credit line of $120m., and the funds will be raised abroad.

BNDE's president, Sr. Marcos Vianna, announced that the funds would come from a pool of foreign banks. The most favourable possible terms of payment and interest rates are now being negotiated. A pool rather than a syndicate was preferred, Sr. Vianna announced, to avoid a situation whereby larger banks would pass on financing to smaller banks and make the loans more expensive.

The BNDE has placed conditions on loans to foreign companies: registration will only be permitted if a subsidiary is the only organisation in Brazil manufacturing a particular item or, if there are up to three manufacturers of similar items, the applicant has 10 per cent. more Brazilian participation than the other two.

If there are more than three companies making similar products, each case will be studied on its individual merits and preference will go to smaller enterprises, as long as they are also considered small in their country of origin. In other words, Sr. Vianna said, "As long as they are not multinationals."

The BNDE's move is seen as part of a growing Brazilian tendency to discriminate firmly in credit to foreign enterprises and boost the activities of Brazilian companies.

ICI CANADIAN OFFSHOOT

Heavy investment paying off

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Industries' (CI) strategy of concentrating on four or five main chemical growth areas, with market expansion in Canada and the northern U.S., plus heavy investment in new capacity, should pay off successfully in the next few years.

CI is the main Canadian arm of ICI, which owns the majority of the stock. However there are nearly 5,000 shareholders in Canada and the U.S., and the company operates either by itself or through subsidiaries, 36 plants with more than 8,000 employees, across Canada — plus a paints plant in Jamaica and an explosives plant in Liberia.

In 1977, CI had consolidated sales of $C668m. ($US595m.) and earnings of $C2.52 a share. It paid out $C1.28 in dividends. The stock traded between $C17.25 and $C20.50 during the year.

Continuing its basic strategy of the past seven years, CI is studying investment in new production facilities for polyethylene, since the annual growth in demand for polyethylene resins continues between 8 and 10 per cent. It plans to expand farm chemicals production, based on eastern Canada and north-central U.S. markets. Growth in demand may later warrant another ammonia plant in eastern Canada.

Expansion of its new Quebec chloralkali plant, at a cost of $C100m., is due on stream in mid-1979. The greatest market growth for this product will come from the north-eastern U.S. CI, Canada's largest producer of sulphuric acid, is developing a strong position in the north-eastern and central U.S. markets where it believes a large potential exists. CI acid technology is being sold around the world.

Mr. W. J. Mandry, CI president, says that overall sales last year were up 9 per cent. and income from operations up 70 per cent. But after higher interest expense, due to additional long-term debt, earnings of $C24.9m. ($U.S.22.2m.) were up 2 per cent.—"somewhat disappointing."

There were difficulties in several major markets—mining (which accounts for 22 per cent. of total volume), agriculture (75 per cent.) and pulp and paper (9 per cent.). Farm chemicals volume is holding. The price of ammonia, CI's primary product, has not changed much in two years, but the cost of the natural gas raw material has doubled. Gas cost per ton of ammonia produced has risen from $C30 in 1975 to $C60, and capacity is 400,000 tons yearly.

Since 1972, CI's sales have more than doubled, while funds invested have risen by two-thirds. Turnover on funds invested has advanced from 7.4 times to 7.8 times. Increasing capacity has generated more sales volume, and with the present capital spending programme, "this trend should accelerate." Sales should increase appreciably in 1978 but more than a modest increase in earnings is not likely because of cost pressure and the state of the Canadian economy.

"But once growth in our major market areas resumes, the effect on earnings from greater use of manufacturing capacity should be quite pronounced. The strategy is to concentrate resources to achieve maximum growth." Over $C775m. has been spent in building new plants, developing new processes and upgrading older plants in the past three years.

CI got out of the fibres business nearly a decade ago. Paints and sundry chemicals will represent a declining share in 1978-80, during which period the company will be spending $C250m.

This will go mainly to the chloralkali, explosives and sulphur products areas. Proceeds of a recent $C75m. floating-rate preferred issue are for completing the Quebec chloralkali expansion. The potential market in the north-eastern U.S. for this product is more than three times that of the eastern Canada market now supplied by CI. Old plants are being shut down in the U.S. and CI is going after the "replacement" business.

Penetration of the U.S. market has boosted revenues from sulphuric acid, sold to fertiliser makers, mining companies, metal refiners and petroleum producers. CI has just signed up to buy 200,000 to 400,000 tons of acid yearly from Texasgulf Inc. in Ontario.

A new subsidiary has been set up in the U.S. to exploit the acid market there and manufacturing capability has been boosted in western Canada.

Chemetics International, the CI subsidiary, is selling acid manufacturing technology and other chemical plant equipment and processes particularly in the U.S. The company expects a growing explosives market, as the mining industry picks up. The Alberta explosives plant, costing $C50m. is now on stream and is designed to supply western Canada and U.S. customers. Replacement of nitroglycerine products is leading to fairly heavy investment at McMasterville in Quebec and Courtright Ontario.

CI is now limited by the capacity of its Edmonton, Alberta, polyethylene plant and has been buying low-density polyethylene resin from other producers to maintain market share against the possibility of capacity being increased, but no investment decision has yet been made.

EUROBONDS

Unenthusiastic response to dollar accord

By Mary Campbell

THERE were few, if any, buoyant sectors of the Eurobond market yesterday. Dollar bonds fell back perhaps a quarter of a point in an unenthusiastic response to the German-U.S. communiqué on Monday afternoon. The volume of new paper overhanging the market is expected to dull secondary market demand even without other factors.

More surprisingly, the D-Mark sector did not show the recovery dealers had expected on Monday

Some dealers clearly feel that the market is caught between the devil of a recovering dollar and the deep blue sea of the introduction of the controls on capital imports by the German authorities on the same lines as the Swiss.

The indicated coupon on the Eletrobraz offering was yesterday set at 6¾ per cent., the higher of the two options being considered. The Philippines issue was priced at 99½ per cent. The coupon is 6¾ per cent. and the maturity seven years.

Those involved in the Eurosterling sector will be interested to note that the new rating service for British bonds announced yesterday rates three of of the companies which have issued Eurosterling bonds. The Eurosterling bonds themselves have not been rated, but Courtaulds as a company is rated C, and Sears and Allied Breweries are both rated B (the range is A-E).

● Issuing banks have decided not to issue an official communique on the results of the 15-year Sw.Frs.130m. Hydro Quebec bond issue which closed yesterday, Reuter reports from Zurich.

The sources said that the subscription levels for the issue varied from bank to bank. Not all banks could place their full quota with the public, while in other cases it was oversubscribed.

Notice of Redemption

Copenhagen Telephone Company, Inc.

(Kjobenhavns Telefon Aktieselskab)

9% Sinking Fund Dollar Debentures Due 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 15, 1970 under which the above described Debentures were issued, Citibank, N.A. (formerly First National City Bank), as Trustee, has drawn by lot, for redemption on April 15, 1978, through the operation of the sinking fund provided for in said Indenture, $700,000 principal amount of Debentures of the said issue of the following distinctive numbers:

COUPON DEBENTURES OF $1,000. PRINCIPAL AMOUNT OUTSTANDING

M- 3	633	1200	1777	2382	2986	3595	4217	4739	5249	5793	6336	6881	7394	7939	8463	8901	9516
21	653	1213	1790	2398	3001	3605	4231	4750	5259	5811	6351	6895	7406	7952	8476	9003	9528
34	666	1238	1807	2411	3013	3632	4243	4762	5271	5831	6363	6909	7420	7967	8489	9016	9547
57	679	1252	1826	2426	3023	3658	4256	4774	5282	5845	6376	6926	7436	7978	8499	9029	9563
72	691	1263	1837	2440	3034	3673	4268	4787	5293	5857	6389	6939	7448	7991	8511	9044	9574
93	709	1276	1847	2453	3065	3687	4282	4798	5312	5872	6405	6954	7463	8004	8525	9056	9587
107	721	1288	1860	2464	3079	3706	4295	4809	5325	5886	6417	6967	7476	8017	8537	9069	9597
123	740	1304	1876	2479	3089	3720	4306	4822	5337	5897	6427	6982	7491	8029	8549	9084	9608
135	758	1320	1890	2490	3102	3733	4319	4836	5355	5907	6439	6995	7506	8042	8559	9101	9625
151	771	1336	1903	2506	3118	3757	4333	4850	5367	5923	6451	7011	7525	8055	8572	9119	9635
164	794	1347	1919	2520	3129	3793	4348	4861	5384	5940	6464	7022	7541	8072	8586	9133	9647
180	807	1370	1933	2539	3142	3806	4359	4871	5396	5954	6476	7029	7555	8086	8598	9147	9661
194	818	1385	1948	2550	3153	3824	4370	4887	5407	5967	6493	7032	7569	8103	8615	9162	9673
212	839	1399	1963	2564	3166	3847	4384	4904	5425	5981	6503	7046	7582	8116	8628	9176	9685
225	851	1416	1979	2579	3179	3858	4397	4919	5439	5993	6516	7058	7597	8130	8641	9189	9695
238	864	1431	1993	2599	3194	3870	4409	4932	5455	6007	6534	7070	7609	8143	8655	9201	9707
251	877	1445	2015	2613	3209	3905	4421	4944	5470	6023	6547	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
265	895	1467	2030	2626	3231	3925	4433	4962	5482	6039	6558	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
281	908	1479	2043	2641	3245	3938	4446	4979	5494	6054	6575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
296	924	1492	2068	2654	3259	3952	4461	4990	5510	6069	6590	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
312	939	1505	2082	2670	3273	3965	4474	5002	5522	6083	6605	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
325	954	1519	2099	2681	3289	3977	4486	5013	5534	6098	6616	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
335	968	1530	2116	2695	3308	3988	4498	5026	5550	6113	6633	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
348	980	1543	2128	2710	3329	4001	4509	5039	5561	6124	6646	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
363	996	1556	2141	2723	3356	4021	4525	5053	5577	6136	6661	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
383	1013	1576	2154	2735	3371	4035	4539	5064	5588	6148	6679	7197	7745	8271	8784	9342	9856
415	1024	1591	2169	2753	3387	4048	4555	5074	5603	6164	6692	7210	7761	8284	8797	9352	9868
438	1037	1602	2183	2769	3400	4060	4570	5087	5616	6180	6706	7224	7775	8296	8807	9364	9881
456	1039	1616	2197	2782	3410	4073	4582	5099	5633	6193	6717	7239	7786	8315	8823	9375	9893
470	1050	1629	2225	2805	3425	4083	4597	5114	5654	6205	6736	7255	7799	8331	8835	9386	9903
498	1063	1647	2236	2816	3436	4100	4609	5129	5671	6215	6749	7266	7813	8344	8851	9399	9916
500	1080	1661	2258	2829	3450	4112	4620	5146	5685	6228	6761	7279	7823	8355	8876	9410	9934
512	1106	1671	2276	2874	3465	4124	4636	5159	5700	6238	6774	7295	7839	8371	8891	9423	9947
530	1119	1688	2288	2891	3479	4137	4650	5174	5715	6254	6787	7310	7855	8382	8903	9439	9960
536	1132	1700	2317	2905	3490	4152	4669	5185	5729	6268	6807	7325	7873	8396	8918	9451	9974
550	1147	1718	2333	2918	3503	4164	4683	5196	5740	6279	6819	7337	7883	8412	8930	9467	9986
568	1162	1735	2344	2930	3517	4175	4696	5211	5753	6293	6832	7350	7898	8426	8949	9479	9996
589	1175	1751	2355	2962	3552	4189	4709	5225	5764	6311	6850	7367	7912	8439	8966	9491	
606	1186	1764	2370	2974	3566	4203	4725	5238	5777	6322	6868	7378	7927	8451	8979	9505	

The Debentures specified above are to be redeemed for the said sinking fund at the Corporate Bond Services Department of the Trustee, 111 Wall Street—2nd Floor, in the Borough of Manhattan, The City of New York, State of New York, the main offices of Citibank, N.A. (formerly First National City Bank) in Antwerp, Belgium; Nice, France; Paris, France; Berlin, Germany; Dusseldorf, Germany; Frankfurt, Germany; Hamburg, Germany; Munich, Germany; Athens, Greece; Piraeus, Greece; Thessaloniki, Greece; Milan, Italy; Rome, Italy; Amsterdam, Netherlands; Rotterdam, Netherlands; The Hague, Netherlands; Geneva, Switzerland; Lausanne, Switzerland; Lugano, Switzerland; Zurich, Switzerland; London, England; Belfast, Ireland; and Dublin, Ireland; Citibank (Belgium) S.A., Brussels or at the office of Privatbanken i Kjobenhavn, Copenhagen, Denmark; Algemene Bank Nederland N.V., Amsterdam, Netherlands; Kredietbank S.A. Luxembourgeoise, Luxembourg; Skandinaviska Enskilda Banken, Stockholm, Sweden; and Deutsche Bank A.G., Frankfurt, Germany, as the Company's paying agents, and will become due and payable on April 15, 1978, at the redemption price of 100 percent of the principal amount thereof plus accrued interest on said principal amount to such date. On and after such date, interest on the said Debentures will cease to accrue.

The said Debentures should be presented and surrendered at the offices set forth in the preceding paragraph on the said date with all interest coupons maturing subsequent to the redemption date.

For COPENHAGEN TELEPHONE COMPANY, INC.
By CITIBANK, N.A.,
Trustee

March 15, 1978

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Increase in EBES earnings

By David Buchan

BRUSSELS, March 14.

[illegible]CIETES Reunies d'Energie du [illegible]sin de L'Escaut (EBES), [illegible]gium's second biggest power [illegible]pany, is using its improved [illegible]fits for last year to maintain [illegible] level of dividend on a larger [illegible]nber of shares. A net dividend [illegible]B.Frs.177 will be paid on the [illegible]pany's 9.2m. old shares, and [illegible]rs.133 on the 1.5m. new [illegible]res it issued last April.

[illegible]o earnings figures have been [illegible]en for 1977, but profits are [illegible]lerstood to be ahead of the [illegible]rs.2bn. that the company [illegible]ned in 1976.

[illegible]oth EBES and Intercom, the [illegible]er large company in the [illegible]ver sector, are making very [illegible]ive use this year of the capital [illegible]rket to finance their invest[illegible]nt needs, particularly in [illegible]clear energy.

[illegible]s known, EBES plans to one-[illegible]five rights issue next month [illegible] yield some B.Frs.3.5bn.

[illegible]ez little changed

[illegible]RY little progress was made [illegible] year by Compagnie [illegible]anciere de Suez, the major [illegible]nch industrial and financial [illegible]ding company.

[illegible]et profits for 1977 are virtu-[illegible] unchanged at Frs.171.3m. [illegible]ound $36m.) compared to [illegible].169.5m. The dividend is to [illegible] held at Frs.25.5m. on capital [illegible]reased by a tenth.

[illegible]hareholders in Suez include [illegible] U.K. government and Saint-[illegible]ain.

[illegible]alian bank rights

[illegible]Banco di Santo Spirito, wholly-[illegible]ned by the state holding com-[illegible]y IRI, plans to raise its capital [illegible] L12bn. to L28bn. through a [illegible]-for-two scrip share issue and [illegible]ne-for-four rights issue at par [illegible]00). Last week the three [illegible]ional interest banks, Credito [illegible]liano, Banca Commerciale [illegible]liana and Banco di Roma, [illegible]ich are all controlled by IRI, [illegible] announced plans to raise [illegible]ital in line with the increase [illegible] funds administered.

Renault Trucks taps the international market

BY DAVID CURRY

PARIS, March 14.

RENAULT Industrial Vehicles, the commercial vehicle subsidiary of the state motor company Renault, is raising $40m. on the international capital market in two separate loans, each loan characterised by the ability to draw down in several currencies simultaneously.

The new funds will go towards the Frs.6bn. five-year investment programme intended to transform what are basically two medium-sized companies with a minority share of the national market into a single concern of international dimensions with the initial task of reconquering the French market.

The company has some Frs. 2bn. outstanding in medium and long term debt on the French market and it has decided to take up to 10 per cent. in foreign currency at any one time.

Beyond this the intention is to lengthen the average length of debt which was at 4½ years some 18 months ago, is now 5½ years and should be up to seven years by the end of the decade. The only other financing the company will need before 1980 will be a call on the domestic market at the beginning of next year.

The strategy of diversifying sources of finance is also part of the development of the company's international commercial interests. Two years ago all its export sales were billed in francs. Now the proportion has risen to 20 per cent. and the intention is to get it up to half within a couple of years. This matches the expansion of export interests from a relatively narrow circle of Francophone countries. Exports account for around a third of turnover at the moment.

At the moment RIV is bracing itself to report 1977 results heavily in the red. In 1976 Berliet turned in a Frs.125m. net profit and Saviem edged into profits after making heavy provisions.

However, in 1977 the company has been hard-hit by the 6 per cent volume decline in the French market which provides practically all its cash-flow, although it has held its market shares. The volume decline has been compounded by a price-war which reached its peak in September.

On top of that the Government's price controls have prevented its exploiting the room for price manoeuvre within its range while it has been prevented from imposing the redundancies which its management think necessary to reduce the over-weight of fixed costs. Apart from extensive short-time working it has been permitted only some 1,800 early retirements, themselves costly.

This means that 1977 will have been thoroughly bad, with turnover down some 3 per cent. in volume over 1976. The company will also lose money in 1978 and already 20 days closure have been decided until the end of May to limit the already heavy burden of stocks being carried.

Since RIV is still being put together from its two constituent parts, Berliet and Saviem, the two loans carry these names rather than that of RIV. Neither is underwritten by the parent company, though they quite clearly carry the implicit support of Renault.

Berliet is raising $20m. over ten years with an average life of 7½ years. The interest rate will be ¾ above the Paris inter-bank rate. Saviem is raising the same amount at ¾ per cent. over inter-bank. The overall maturity is 7½ years and average life six years. There are multi-currency clauses in both loans.

Swiss company borrowing rises

BY JOHN WICKS

ZURICH, March 14.

A TOTAL of 42 issues with a nominal value of Sw.Frs.2.3bn. ($4.6bn.) have been registered for subscription on the Swiss bond market during the second quarter of 1978.

Since Sw.Frs.900m. of this will be accounted for by issues replacing maturing bonds, the net new-money call will be of some Sw.Frs.1.4bn. There were 43 issues worth a gross Sw.Frs. 1.65bn. and a net Sw.Frs.1.1bn. on the issues calendar for the corresponding quarter of 1977.

The second-quarter timetable contains no federal issue. Originally to have been of Sw.Frs.500m. and subsequently reduced to Sw.Frs.200m., this was deleted from the first-quarter calendar some weeks ago.

A Sw.Frs.70m. issue is to be offered from to-morrow by Eurofima, the Basle-based company operated by European railway administrations for the financing of rolling stock. The 15-year bonds will carry a 3¾ per cent. coupon and be offered at 99 per cent.

Elektrowatt issue

ELEKTROWATT AG. of Zurich, which has interests in the construction, engineering, civil engineering and power sectors, is issuing SwFrs.105.6m. of Convertible Bonds with a 3 per cent coupon. The 15-year bonds, convertible into Elektrowatt Bearer shares at a rate of one share per Sw.Frs.1,600 nominal value of bonds, will be offered to Elektrowatt shareholders. Issue price will be par.

UBS DB Corporation

UNION BANK of Switzerland and Deutsche Bank will, on March 31, end their co-operation in the U.S. securities business through the joint-venture subsidiary, UBS DB Corporation, of New York. This decision is said to be the result of a friendly agreement. Deutsche Bank will take over its Swiss partner's 50 per cent. holding in the New York company, which was set up in 1972.

Orion Bank profits reach $19m.

By Michael Blanden

ORION Bank, the multinational investment banking group, has reported pre-tax profits for the past year up from £9.71m. to £10.18m., around $19m. Mr. David Montagu, the chairman, said that the results were satisfactory in a difficult year.

He drew attention in his annual statement to the pressure on lending margins during the second half of last year, and added that this will continue. The bank was adversely affected last year by the effects on revenue of the rise in sterling against the dollar and falling interest rates in the U.K.

The bank maintained a conservative policy towards the growth of its loan portfolio, and Mr. Montagu said "We have maintained and improved our share of Euromarket activity in both the investment banking and medium term loan markets."

The group's total assets rose from £999m. to £1.03bn. Mr. Montagu added that Orion managed or co-managed financings of more than $4bn. equivalent for borrowers in 25 countries. Orion Bank was lead manager for 13 Eurobond issues totalling $520m. equivalent, and co-manager of another 20 issues.

Looking at the outlook for the current year, the chairman expressed concern over the narrowing of spreads, which, he said, "have been reduced to a point which is reminiscent of the heady days of 1973-74. "With inflation continuing to bite into the operating margins of banks, loans now being completed might appear significantly less profitable in the future.

At the same time, he said, the whole question of lending to third world countries was under heavy scrutiny. And he gave a warning that the personal taxation system of U.K. nationals was "a threat to the long-term prospects of London as an international financial centre.

Dutch options chiefs try to allay British fears

BY MARGARET REID

AMSTERDAM, March 14.

CHIEFS of the European Options Exchange (EOE), which opens here on April 4, were at pains to-day to combat British fears that an unofficial (kerb) market might spring up in Amsterdam in British shares in which options are to be traded.

Dr. Lubbertus Scholten, managing director of the EOE, told anyone with such worries to forget them when he addressed the conference "Options introduction to the EOE," organised by de Financiele Telegraaf.

It appears that EOE market-makers and other dealers needing to acquire British shares in the course of their options trading will be expected to buy them in London in registered form and not pick them up through other routes in a way which would stimulate the creation of an unofficial market. The U.K. stocks in which the EOE will trade options at the outset are ICI, BP and GEC.

Mr. Cornelis van der Slikke, a member of the EOE's council and a director of the big Algemene Bank Nederland, an EOE clearing member, remarked: "It is not the intention of ABN to participate in a kerb market in U.K. stocks, nor the idea of the EOE council to promote it."

Nonetheless, some British brokers are sceptical as to whether the creation of a kerb market in British stocks in Amsterdam can be prevented, whatever the discouragements, in view of the costs in commission and jobber's turn of acquiring these shares from London for Amsterdam options trading.

The EOE manage are most anxious that a system should be worked out before April 4 for Amsterdam to have a flow of constantly up-dated London jobbers' average prices of the three British shares in which options will be dealt. No such average prices are published at present, though they will be under the planned London options market, expected to start, under the Stock Exchange's control, in April.

Representatives of the five largest London stockjobbing concerns, led by Mr Ed Puxley, of Bisgood Bishop, are to visit Amsterdam next Tuesday when the subject will certainly be discussed.

Mr. J. G. Mulinga, the EOE's acting chairman, told the conference: "We hope before April 4 to come to a satisfactory arrangement with the London jobbers and the Stock Exchange. If we don't, we have a contingency plan so that we can still start dealing in options on British shares."

MEDIUM TERM CREDITS

Slowdown in new loan activity

BY FRANCIS GHILES

NEW LENDING activity in the medium-term market appears to be slowing down somewhat at the moment. At the same time, a number of loan negotiations are being completed and agreements signed.

Two southern European borrowers are currently raising funds. Hellenic Aerospace Industry has, after many months of waiting, finally awarded a mandate to Citicorp and Westdeutsche Landesbank to raise $80m. for seven years on a spread of ⅞ per cent. for the first three years rising to 1 per cent. Other conditions include a three and a half year grace period. The loan carries no guarantee.

Competition for the mandate has been very strong but, by waiting, the borrower has ensured that he gets finer terms than would have been the case a few months ago.

Citicorp has been mandated to raise at least $100m. for eight years for Crediop, an Italian state bank specialising in loans for public works. The proceeds of this loan are earmarked for the reconstruction of the area in northern Italy recently hit by an earthquake.

The final amount is not yet known, as the borrower wants a fixed amount of Lire, and with the current turbulence of the foreign exchange front, the final figure will be decided later.

Other conditions include an eight-year maturity, with an option to extend it for a further two years. The spread will be 1 per cent., a figure which would rise to 1¼ per cent. were the maturity to be extended.

The Danish electric utility company IFV is raising $25m. for seven years on a spread of 1 per cent. throughout from a group of banks led by Privatbanken.

Just signed is a $500m. seven-year loan for Denmark. Conditions also include a spread ¾ per cent. over the interbank rate and a grace period of four years. Lead manager is Manufacturers Hanover.

The $155m. seven-year loan for Bolivia carries a split spread of 1⅞ per cent. for the first three years rising to 1⅞ per cent and a grace period of three years.

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8¾pc 1989	94	94½
AMEV 8pc 1987	95½	97¼
Australia 8½pc 1992	94¾	95½
Australian M. & S. 9½pc '92	95½	96¼
Barclays Bank 8½pc 1992	97¼	98
Bowater 9½pc 1992	94	95½
Can. N. Railway 8½pc 1986	97¼	95¼
Credit National 8½pc 1986	97¼	98
Denmark 8¾pc 1984	100½	101¼
ECS 8pc 1993	95¼	96¼
ECS 8¾pc 1997	96	96½
EIB 8½pc 1992	95¼	96¼
EMI 9½pc 1989	95½	97½
Ericsson 8¾pc 1989	97½	97
Esso 8pc 1986 Nov	100¾	101½
Gt. Lakes Paper 8¾pc 1984	99½	100
Hamersley 9pc 1992	100	100¾
Hydro-Quebec 9pc 1992	94¾	97½
ICI 8¾pc 1987	97½	98½
ISE Canada 9½pc 1986	103½	104½
Macmillan Bloedel 9pc 1992	96½	97½
Massey Ferguson 9½pc 1991	95½	96½
Michelin 9½pc 1988	101½	102½
Midland Int. Fin. 8¾pc '92	95½	96½
National Coal Bd. 8pc 1987	94½	95½
National Wstmnstr. 9pc '86	101¾	102½
Newfoundland 9pc 1989	100½	101½
Norges Kom. Bk. 8½pc 1992	95½	97½
Norpipe 8¾pc 1989	96	96¾
Norsk Hydro 8½pc 1992	96½	97½
Oslo 9pc 1988	101½	102½
Ports Autonomes 9pc 1991	98½	99
Prov. Quebec 9pc 1995	96½	97½
Prov. Saskatch. 8¾pc 1986	100½	101
Reed International 9pc 1987	90½	92½
RHM 9pc 1992	93½	94½
Selection Tst. 8½pc 1989	90½	91½
Skand. Enskilda 9pc 1991	99½	100
SKF 8pc 1987	92½	93½
Sweden (K'dom) 8¾pc 1987	95½	96½
United Biscuits 9pc 1989	99½	100
Volvo 8pc 1987 March	92½	93½

NOTES	Bid	Offer
Australia 7¾pc 1984	96½	97
Bell Canada 7¾pc 1987	95½	95
Br. Columbia Hyd. 7¾pc '85	93½	94
Can. Pac. 8¾pc 1984	99½	100
Dow Chemical 8pc 1986	97	97½
ECS 7¾pc 1982	97	97½
ECS 8pc 1989	96	96½
EEC 7¾pc 1982	97	97½
EEC 7¾pc 1984	96	96½
Enso Gutzeit 8¾pc 1984	97	98
Gotaverken 7¾pc 1982	96	96½
Kockums 8pc 1983	92	93½
Michelin 8¾pc 1983	99½	100½
Montreal Urban 8¾pc 1981	100	101½
New Brunswick 8pc 1984	97½	98
New Bruns. Prov. 8¾pc '83	100½	101½
New Zealand 8¾pc 1986	95½	96½
Nordic Inv. Bk. 7¾pc 1984	95½	96
Norsk Hydro 7¾pc 1982	97½	98½
Norway 7¾pc 1982	96½	97
Ontario Hydro 8pc 1987	96½	97½
Singer 8¾pc 1982	100½	101½
S. of Scot. Elec. 8¾pc 1981	99½	100½
Sweden (K'dom) 7¾pc 1982	96	96½
Swedish State Co. 7¾pc '82	97½	98
Telmex 9½pc 1984	99½	100½
Tenneco 7¾pc 1987 May	91½	93½
Volkswagen 7¾pc 1987	95	95½

STERLING BONDS	Bid	Offer
Allied Breweries 10½pc '90	97	97½
Citicorp 10pc 1993	97½	97½
Courtaulds 9½pc 1989	95½	96½
ECS 9¾pc 1989	97½	98½
EIB 9¾pc 1988	99½	100½
EIB 9¾pc 1992	97½	98½
Finance for Ind. 9¾pc 1987	97½	98½
Finance for Ind. 10pc 1989	97½	98½
Fisons 10½pc 1987	100½	101½
INA 10pc 1988	97½	97½
Rowntree 10¾pc 1988	96½	97½
Sears 10¾pc 1988	97	97½
Total Oil 9¾pc 1984	96½	97½

DM BONDS	Bid	Offer
BFCE 5¾pc 1989	100½	101
BNDE 6¾pc 1985	99	99½
Denmark 5¾pc 1984	100½	101
ECS 5¾pc 1989	95½	96
EIB 5¾pc 1990	97½	98½
Euratom 5¾pc 1987	100	100½
Eurofima 5¾pc 1988	99½	100½
Finland 5¾pc 1986	99	99½
Forsmarks 5¾pc 1990	99½	100½
New Zealand 5¾pc 1985	99½	100½
Norcem 5¾pc 1989	100½	101½
Norway 4¾pc 1983	101½	102
Sweden 6pc 1989	101½	102½
Tauernautobahn 5¾pc 1983	99½	100½
TVO Power Co. 6pc 1985	99½	100
Venezuela 6pc 1985	99½	100
World Bank 5¾pc 1989	99½	100½

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 7 13/16pc	99½	99½
BFCE 1984 7pc	99½	99½
BNP 1983 6 9/16pc	99½	100½
CCF 1983 8pc	99½	100½
CGMF 1984 7¾pc	99½	99½
Creditanstalt 1984 7¾pc	99	99½
Credit Lyonnais 1982 8pc	99½	100
DG Bank 1982 7 15/16pc	99½	100½
GZB 1981 8 1/16pc	100½	100½
Intl. Westmnstr. '84 7 11/16pc	99½	100½
Lloyds 1983 7¾pc	100½	100½
LTCB 1982 8pc	99½	100
Midland 1982 8pc	100½	101½
Midland 1987 7 13/16pc	99½	99½
OKB 1982 7¾pc	100	100½
SNCF 1985 8¾pc	98½	99½
Std. and Chrtrd. '84 7 11/16pc	99½	100½
Wms. and Glyns '84 8 1/16pc	99½	100½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	82	84
Ashland 5pc 1988	96½	98½
Babcock & Wilcox 6¼pc '97	95½	96½
Beatrice Foods 4¼pc 1992	96½	97½
Beatrice Foods 4⅞pc 1992	99½	101½
Beecham 6¼pc 1992	97½	97½
Borden 5pc 1992	99	101
Broadway Hale 4¼pc 1987	77	79
Carnation 4pc 1987	77½	77
Chevron 5pc 1988	121½	123
Dart 4¾pc 1987	77½	79½
Eastman Kodak 4½pc 1988	90	92
Economic Labs. 4½pc 1987	77	79
Firestone 5pc 1988	83½	85½
Ford 5pc 1988	82½	84½
General Electric 4¼pc 1987	83½	85½
Gillette 4¾pc 1987	76½	75½
Gould 5pc 1987	102½	104½
Gulf and Western 5pc 1988	88	92
Harris 5pc 1992	144	146
Honeywell 6pc 1988	54	56
ICI 6¾pc 1992	84½	87½
INA 6pc 1997	97	99
Inchcape 6¾pc 1992	106½	107½
ITT 4½pc 1987	77	79
Jusco 6pc 1992	102	106
Komatsu 7½pc 1990	114	115
J. Ray McDermott 4¾pc '87	134	136
Matsushita 6¾pc 1990	105	108
Mitsui 7¼pc 1990	107	108
J. P. Morgan 4¾pc 1987	86	89
Nabisco 5½pc 1988	98	100
Owens Illinois 4½pc 1987	110	112
J. C. Penney 4½pc 1987	77	79
Revlon 4½pc 1987	105	107
Reynolds Metals 5pc 1988	87	89
Sandvik 6¾pc 1988	108	110
Sperry Rand 4¼pc 1987	83	85
Squibb 4¾pc 1987	78	80
Texaco 4¾pc 1988	77	79½
Toshiba 6¾pc 1992	111	112
Union Carbide 4¾pc 1982	92	94
Warner Lambert 4¾pc 1987	81	83
Warner Lambert 4¾pc 1988	75	77
Xerox 5pc 1988	77	79

Source: Kidder, Peabody Securities.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Control of Bonuskor goes to Volkskas

By Our Own Correspondent

JOHANNESBURG, March 14.

A DIVISION between the Sanlam insurance group and the Volkskas banking group, two premier Afrikaner financial institutions, concerning the jointly-controlled, beleaguered Bonuskor Investment Company, has ended with Volkskas acquiring Sanlam's 26.5 per cent. stake in Bonuskor.

Volkskas now owns 51.3 per cent. of Bonuskor and is extending an offer for the holdings of the remaining 30,000 minority shareholders at 38 cents per share.

The offer leaves the minorities in a quandary. Bonuskor's net asset value is 127 cents per share but the company has just reported a R2.2m. operating loss, equivalent to 8.2 cents per share for the six months to December 31, 1977. For the second half-year, losses will continue and there seems little possibility of the company returning to the dividend list for several years.

Bonuskor fell on hard times last year when most of its timber, agricultural, property and earthmoving equipment companies, which it had bought with the proceeds of sales of quoted investments, were hit by the South African recession.

Liquidators of the property subsidiary were appointed in January.

Yen revaluation puts Sony in reverse

BY CHARLES SMITH

TOKYO, March 14.

THE SONY CORPORATION'S profits fell by 49 per cent. from a year earlier in the first quarter of its new financial year, the company announced to-day. Profits for the three months to January 31 were Y5.48bn. ($2.34m.) on a consolidated basis.

Sales reached Y136.02bn. ($58.12m.) up 6.3 per cent. on the first quarter of fiscal 1977 but slightly down on the immediately preceding quarter.

Sony attributes the sharp setback in profits "almost entirely" to the accounting effect of the yen revaluation on overseas sales and profit margins.

It points out that sales made in dollars are worth less when translated into yen than they were a year ago—with the dollar having risen some 20 per cent. in the past year. Sales costs, however, arise mainly in Japan and thus have been unaffected by the yen revaluation.

Sony claims that its profits would have been up 13-15 per cent. if the yen had held steady against the dollar while its sales might have risen by about 20 per cent. It expects the effect of yen revaluation on its profits to continue throughout the year, but with a diminishing impact if the yen remains at its present parity of around 235 to the dollar.

Since the yen is in fact expected to continue moving up against the dollar for some weeks, if not months, Sony's future profit level in 1978 is extremely hard to predict. In its published statement the company says only that "all possible steps will be taken to counter unfavourable conditions" in the outside world. These steps will include the transfer of more of Sony's manufacturing operations out of Japan, though not, for the time being, through the opening of any completely new plants.

What Sony plans to do is to increase the range of parts manufactured at its San Diego television factory and thus increase the amount of added value achieved by its U.S. manufacturing operations. It also plans to put more money into its Alabama tape factory. "Various possibilities" are being considered in Europe but the time is not right for decisions, the company says.

The star performer among Sony's carious products during the first quarter continued to be video tap recorders (VTR). Sales of these increased 51.9 per cent. over a year ago and accounted for 16.8 per cent. of total sales. Sales of colour TVs decline by 4.2 per cent. (a figure which Sony claims was less than that of the industry as a whole). Tape recorder and radio sales also fell but audio equipment and "other products" in ereased their sales by 6 per cent. and 16.9 per cent. respectively.

Sony says it has overcome bottlenecks in its VTR production capacity. It expects a sustained boom in this sector along the lines of the long boom in colour TV which spelled prosperity for the Japanese electronics industry in the late 60s and early 70s.

The scope for growth is indicated by the fact that less than 2 per cent. of Japanese homes and less than 1 per cent. of American homes so far have VTR, Sony says.

Sony is reticent about its plans for marketing VTR in Europe where it has been overtaken by Victor Company of Japan, which claims to be selling in four European markets with sales to four more due to start this month. Victor's VHS home video recording system came on sale in the U.K. at the beginning of March for the price per set of £710. Victor says that it has firm orders from its U.K. distributors for the delivery of 5,000 sets by September.

$182m. Islamic bank loans

BY RICHARD JOHNS, MIDDLE EAST EDITOR

THE ISLAMIC Development Bank extended loans worth the equivalent of $182.2m. by last December, after two years of operations including no less than $50.5m. for the financing of foreign trade.

The IDB's second annual report says that it has been assisting developing countries by utilising capital not immediately needed for development loans by assisting some members to purchase "vital imports" and also "exportable surpluses" from others. It says that commodities so far covered by such operations are "industrial raw materials, fertilisers and petroleum products."

Such operations covered include the purchase of coke and copper wire for Algeria ($12.6m.); coke for Turkey ($10m.); fertilisers for Pakistan ($15m.); refined petroleum products for Sudan ($3.2m.); and fuel oil for Turkey ($9.6m.).

The IDB, which lends at a nominal rate of "commission" (believed to be 2.5 per cent.) and does not refer to interest in accordance with Koranic strictures against usury, has extended $71m. in project loans by December last year.

Among these were $12m. for the expansion of the Suez Canal, $7.5m. for Hargeisa-Borama road in Somalia, $7m. for the Songloulou hydro-electric project in the Cameroons, and $7m. for the Dacca International Airport as well as other projects in Sudan, Niger, Tunisia, South Yemen, Algeria, Senegal and Mauritania.

At the end of its second year during which, as the report says, operations only really got underway if the IDB had also taken a direct equity participation of $33.6m. in various projects including $10m. in a Moroccan cement plant, $9.3m. in the expansion of Jordan's Zerqua oil refinery, $8.3m. in a paper pulp mill in the Cameroons and $6.7m. in Malaysian cement plant.

The IDB has also taken an indirect participation of $5.75m. in the Malaysian Development Bank.

Steady growth in Clal assets

BY L. DANIEL

TEL AVIV, March 14.

CONSOLIDATED net earnings of Clal, Israel's largest investment company, amounted to I£48.5m. ($2.9m.) in the first six months of last year.

This compared with I£90.8m. for the whole of 1976. To this must be added I£5.5m. from discontinued operations (mainly the sale of investments in two hotels) compared with I£3.3m. in 1976.

Its consolidated balance sheet total stood at I£3.9bn. as at June 30, 1977, compared with I£3.4bn. at the end of 1976.

Clal Industries, one of the main subsidiaries of Clal, reports a profit of I£32m. for the first six months of 1977, against I£50.4m. for the full year 1976.

* * *

Tefahot Israel Mortgage Bank reports net earnings for the six months ended September 30, 1977, of I£54m. compared with I£137m. in 1976/77. Tefahot is one of the Government controlled companies which is high on the list for sale to private interests.

Earnings increase at Zim Israel Navigation

ZIM ISRAEL Navigation Company recorded a growth in its consolidated assets of some I£400m. in the first half of 1977 to I£4.6bn. at June 30, 1977, according to unaudited figures. Consolidated income reached I£2.1bn. against I£3.5bn. for the whole of 1976.

Net consolidated earnings were I£19m. ($1.2m.) against I£15m. for the whole of 1976 (excluding the I£14m. repayment from the liquidator of the International Credit Bank of Geneva).

Zim's fleet at January 1, 1978, totalled 65 ships, with an aggregate 2.4m. tonnes. Zim invested $332m. in the period 1972-1977 in additions to the fleet, and a further $32.5m. in equipment. Seven ships with a total tonnage of 105,000 are currently being built for the company, and are due to be completed in 1978-79.

Last year Zim completed the development of its Eilat Line, replacing conventional vessels by container ships. International trade now accounts for some 55 per cent. of the company's business, trade into and out of Israel having declined from a high of 64 per cent. since 1970. Zim has 46 per cent. of the Israeli shipping market.

Profit up at DBS in 1977

By H. F. Lee

SINGAPORE, March 14.

THE Development Bank of Singapore (DBS)—one of the big four Singapore banks—has reported a 11.6 per cent. improvement in group after-tax profit for the year to December, to S$20.6m. ($U.S.8.9m.), from S$18.4m. in 1976.

Unlike previous years, when much of the running was done by the group's subsidiaries, this year's impetus came largely from its banking operations—that is, from the parent company, which reported a 16.3 per cent. increase in net earnings to S$18.1m.

Group total assets were 6.6 per cent. higher, at S$3.45bn., as at the end of the year.

The Board has proposed a first and final gross dividend of nine per cent.—one point higher than the 1976 dividend.

Unisouth pays more

UNISOUTH, the textiles, property concern, announced an interim dividend of 30 cents for the year ended March 31, on capital increased by a one for 20 bonus issue, writes Daniel Nelson from Hong Kong. A profit of HK$10m. was made last year, a drop of 47.09 per cent., but at the time chairman H. T. Liu forecast that the company would do "reasonably well" in the future.

Asia Insurance

ASIA Insurance reported a 56 per cent. rise in net profit to $HK13.62m. ($US2.97m.) for 1977, and a final dividend of 35 (25) cents, making a total of 55 cents compared with the previous year's 45, Daniel Nelson writes from Hong Kong. The performance reflects the benefit of the 10 per cent. interest acquired in Continental Insurance Companies of New York in January, 1977.

Shaw Brothers

FILM-MAKER Shaw Brothers—hit last year by foreign exchange losses and restrictions in some of its major Asian markets—announced an unchanged interim dividend of 15 cents for the year to March 31, writes Daniel Nelson from Hong Kong. Last year, the group held its total dividend at 40 cents.

Agency

Teijin sees deficit

TOKYO, March 14.

TEIJIN LTD. said that it expects a deficit of Y4.4bn. ($18.7m.) before-tax and special items for the year ending this month, compared with Y3.80bn. profit in the previous year, on sales virtually unchanged from last year's Y349.52bn. ($1.4bn.).

It said that it has decided to lower its dividend to Y4 per share of Y50 par value from Y5 the preceding year. This year's dividend will be paid in the form of stocks.

The poor business performance this year resulted mainly from a rise in production costs following production cutbacks, and the rapid yen rise against the dollar, the company said.

Reuter

Gain at Weeks Petroleum

MELBOURNE, March 14.

WEEKS PETROLEUM'S revenue from U.S. oil and gas production rose 630 per cent. to $US4.85m. in 1977.

The company expects this revenue to grow further as it continues its active exploration, development and property acquisition programme in the U.S., it said in a statement on its $US3.78m. record after-tax profit for the year. This compared with $US1.77m. for the previous year.

In addition, Bass Strait oil and gas royalty receipts rose 18 per cent. to $US7.08m. and this ies expected to grow further in 1978.

Reuter

Dai Ichi Securities

DAI-ICHI Securities Company of Japan has announced the opening of a London branch office. The office will start business to-day.

ISRAELI BANKING

A spirited defence

BY L. DANIEL IN TEL AVIV

CONSIDERABLE indignation has been aroused in banking circles here by the remarks of the Minister of Commerce, Industry and Tourism, Mr. Yigal Horwitz, claiming that the profits made by the commercial banks are exaggerated and that the banks are throttling industry.

Considering that the general price level in Israel has risen by 500 per cent. since the beginning of the decade (with this year's inflation again forecast at 30 per cent.), there is no increase, or very little, in the yield per share in real terms (and in some cases even a decrease) or in profit in relation to the banks' own means.

Moreover, bankers point out, in view both of the high rate of inflation and the centralisation of commercial banking in Israel, an expansion of the capital base is a necessity. This, they argue, can be achieved only by enlarging reserves and by making the yield attractive enough to attract buyers for new issues.

The Manufacturers Association (which represents the private sector of industry) is currently in the last stages of completing a survey of bank charges and practices in relation to industry. The three main complaints appear to concern collateral, extra charges on top of interest and delays in being credited with transfers.

Industrialists say that even though they constitute far less of a risk than exporters or importers, the collateral being demanded of them is too high. For instance, they argue, when they invest in buildings or equipment, the bank may regard only 35 per cent. of that amount as collateral, forcing the industrialist to turn to the insurance companies for loans costing up to 42 per cent.

The situation has been exacerbated by the floating of the Israeli pound which increased to Israeli pound equivalent of foreign currency loans granted by the banks by 45 to 50 per cent. causing the banks to ask for yet further collateral.

Both the cost of services to individual customers, and the commissions charged on foreign currency conversion and the sale/purchase of securities are substantially lower than in Europe, according to the banking association. Banks in Israel have an unusually large number of individual customers, as opposed to corporate bodies, because in the absence of savings banks and building societies, the functions elsewhere associated with these are exercised by the commercial banks—so that the majority of Israelis have a bank account. More than 1m. people out of a population of 3.3m. receive their salaries and national security payments, such as pensions and children's allowances, through the banks.

Additionally, the commercial banking system is the main channel for the sale of Government bonds linked to the cost of living index.

The bonds backing these savings schemes are 100 per cent. linked to the index, whereas the linkage for bonds sold to the public has been reduced to 80 per cent., with the result that there was a net disinvestment by the public of I£4bn. in 1977 (with the money going into the share market).

Sales to the banking system of 100 per cent. linked bonds to back savings schemes, pension and provident funds, on the other hand, came to I£9bn. (the Treasury had hoped to reach an overall net total of I£12bn., and the shortfall explains the deficit financing of recent months).

Not that the banks are acting in this without reward. They pay three per cent. on long-term savings accounts, whose main attraction is the linkage, whereas they receive 4.25 per cent. on the bonds, though an average two-thirds of gross profits go back to the Treasury in the form of taxes.

As to the alleged stranglehold on industry, banking circles point out that export industries and agricultural exports still receive "directed credit" at 6-12 per cent. (this accounts for about 40 per cent. of all commercial bank credit) whereas anyone else has to pay a minimum 30 per cent.

Conversely, the interest on time deposits starts at 23 per cent. and may be as high as 25 per cent. for large depositors—still a very comfortable margin.

The warning by the Minister of Commerce and Industry that he will find ways of reducing the banks' profits if necessary may have been made in view of the impending start of wage negotiations for 1978.

The banks have come under strong criticism in the past for the high level of salaries they pay.

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FINANCIAL TIMES SURVEY
Wednesday March 15 1978

Canadian Banking and Finance

The weakness of the Canadian dollar has demonstrated the strength of the Canadian banking system. Its profits have risen to a peak, although later in 1978 they are expected to ease off.

defence

...alling ...p ...he ...eserves

W. L. Luetkens

...ASTS HAVE been well ...en in Canada of late, but in ...ry sort of way the troubles ... have been building up in ... political and economic fields ... demonstrate the strength ...he Canadian financial sys... and of the economy as a ...le.

...hen the Canadian dollar ...t into a spin last year— ...cally adjusting to a period ...ost inflation that had be... in 1973—the Canadian ...tered banks very quickly ... together a standby credit ...Eurodollars of $1.5bn. Sub...ently, and in spite of the ...tical problems of Quebec, ... managed a financing ...$1.25bn. for Hydro Quebec, ... provincially owned utility ...pany.

...a world where, admittedly, ...owers of good standing are ... always easy to find, Canada ... by and large retained its ...e or double A rating. But ...e payments deficits are un...able. Since the beginning of ...—the official reserves have declined from $5.8bn. to $3.6bn.: the loss in the first two months of this year alone has been of almost $1bn.

Mr. Jean Chretien, the Minister of Finance, is taking the classic route by borrowing abroad to fill the gap. At the beginning of this month he announced that he intended to float a $750m. loan in the U.S. in addition to the drawing already made on the standby. The rate at which he makes this borrowing should give a fair indication as to what investors feel about Canada.

The reason for saying that the position is not disastrous is that Canada is a habitual importer of long-term capital and that Mr. Chretien, in a limited sense, is stepping in as a borrower because provincial governments (for reasons of economy) and the corporate sector (because the economy is soggy) have been holding back. Being a continuous importer of capital has, of course, greatly increased the burden of dividend and interest payments, which, together with a tourist deficit, are the real reasons for the outflow of funds.

It is, however, easy to exaggerate that danger — provided always you assume that the economy, at bottom, is sound. Expressed as a percentage of GNP, the net Canadian foreign debt has remained remarkably constant over the years. The problems will arise if the debt goes on increasing at a time when growth may be faltering.

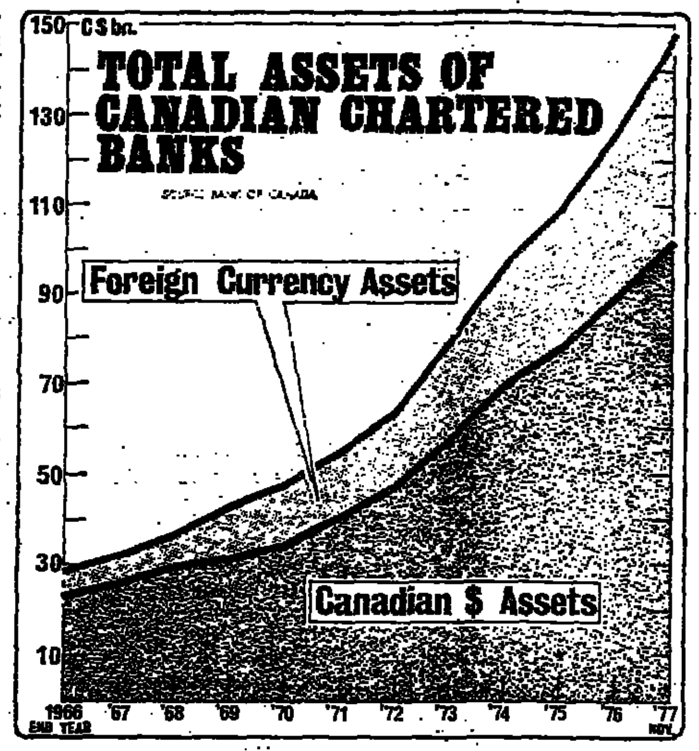
It is here that questions arise. Economists are extremely sceptical about the real annual growth rate of 4.5 per cent. until 1981 which was forecast in a recent paper from the Ministry of Finance. At the moment the only really expansive element is exports, which have done well as a result of the dollar devaluation: merchandise exports are doing nicely, and the tourist deficit may be responding too.

Sceptical

The question therefore is whether demand for Canadian goods will last in the U.S., which buys about two thirds of Canadian exports. The wage controls imposed in 1975 have worked moderately well; this year they are to be phased out. At a time of high unemployment that may not lead to renewed excessive wage claims in industry; but there have been some signs that public service employees may feel more aggressive, and could start the whole spiral going again.

Given that productivity growth in Canadian manufacturing industry tends to be slow, and given the poor world market for base metals, the ace in the Canadian hand is energy. In the early days of the energy crisis, Canada was billed as the one industrialised country with a surplus of energy. Subsequently it was found that Canada had less oil than commonly thought, but there are strong reasons for saying that the gloom was greatly exaggerated.

To begin with, in Alberta, where Canada gets nearly all its oil, new reserves have been found in the Pembina area. If anyone knows how big the find and its implications for further discoveries are, they are not telling. But Pembina is described as the biggest find in more than a decade. Moreover, Alberta is running into a surplus of



natural gas which may prove less temporary than expected. On top of that Shell, which a few years ago dropped out of a venture to extract oil from the plentiful tar sands in Alberta is showing resumed interest. If the tar sands do prove viable (and given present world prices for oil they very well may), the medium term energy picture changes again.

That would also reflect upon the economy: a tar sands plant begun now might easily cost $4bn. and create a large demand for labour and steel. It would help the balance of payments since a good deal of the financing would come from Wall Street. The same is true (as discussed elsewhere in this Survey) of the gas pipeline from Prudhoe Bay in Alaska. It is, however, worthy of note that its timetable may be slipping: it had been thought that the first borrowing might be made early next year, now delays are possible. The tar sand plant would have its impact later in any case, though there is a continuing need for the James Bay hydroelectric scheme.

All of these are reasons to suppose that the Canadian dollar does have considerable reserves of strength—though one should note that when Canadians talk of their exchange rate they think in terms of the rate with the U.S. dollar. In its relation to other currencies, the Canadian dollar is likely to follow the U.S. dollar more or less closely.

Official exchange rate policy is a bit difficult to explain. Mr. Chretien keeps on reiterating that the dollar is allowed to float: the official story is that intervention is merely intended to maintain orderly markets. But $1bn. seems a lot to spend on that in two months. The fact of the matter is that the devaluation has already begun to feed back into consumer prices and that there was a sort of psychological barrier reached when the dollar went below U.S. cents 90. With an election in the offing, maybe as early as June, that was dangerous.

Similar considerations seem to have made the authorities reluctant to raise interest rates more than avoidable: it would hurt the prospects of economic recovery and be thoroughly unpopular. The opposition says now that it would be less tender hearted—but it remains to be seen what happens after the election, whoever wins.

More enduring problems than those of the timing of an election are adding to the uncertainties in which Canadian financial institutions have to operate. Thus the revision of the Bank Act under which the chartered banks operate and which should have taken place in 1977 is still not settled. And the biggest problem of all, the future of Quebec, is likely to persist for a long time.

Bank Act revision is discussed in detail elsewhere in this survey. As at present proposed it will bring no startling changes for the banks—certainly nothing like the last revision in 1967, which opened the growth area of personal loans to them. Their dearly held wish to be allowed to use their computer capacities to sell data processing services looks like being rejected.

A little extra competition may come from the proposal to let foreign-owned banks be chartered in Canada. But in fact they have been operating quite happily, largely in the wholesale market, under provincial charters and without using the protected description of "bank."

There has been little discussion lately of the proposal contained in a White Paper of 1976 (like the plan for foreign banks) to allow provincial Governments to hold for up to ten years a quarter equity stake in newly founded banks. That really was a proposal intended to please the Canadian West, where it was suspected that the eastern-dominated banks were not giving all the service and financial help they might. The matter is discussed elsewhere, but it should be said here that the political tide in the West is flowing against Government intervention in business. To some extent at least the western criticism has been met by greater decentralisation within the chartered banks, and the foundation of specifically western institutions.

Another regional situation, that in Quebec, gives rise to a great deal of anxiety. The Parti Quebecois Government of Mr. Rene Levesque is of a distinctly interventionist turn of mind and its relations with the financial world in Montreal are frosty.

Long before the PQ came to power, the Canadian financial centre of gravity had been moving from Montreal to Toronto. Two of the three biggest Canadian banks, the Royal and the Bank of Montreal, have maintained their headquarters in Montreal, but both have been moving departments to Toronto. The biggest trust company, Royal Trust, is also keeping its headquarters there, but business outside Quebec is increasingly being managed from Toronto and Calgary.

The big *eclat* this year was the decision of the Sun Life Assurance Company of Canada to move to Toronto, subject to the approval of a policyholders' meeting in April. The Sun Life says that it has found some potential customers hesitant to take out policies with a company that has its headquarters in Quebec.

Concern

The real concern of the Sun Life is the possibility that the Quebec Government may one day restrict its freedom to invest outside Quebec the premium income it derives from there. Should that happen, the effect upon the English-dominated financial community in Montreal would be disastrous. Like the rest of Canada, Quebec needs foreign money to carry through its development, first and foremost James Bay. Mr. Jacques Parizeau, the Quebec Finance Minister, actually has powers to ensure that insurance companies reinvest a reasonable portion of their Quebec income in the Province. All that would be needed is a regulation to define what is "reasonable." But Mr. Parizeau is also shrewd and does not look the man to cut off his nose to spite his face. Admittedly, some others do.

INC.

Good period for chartered banks

THE CANADIAN chartered banks are in the midst of a good spell in spite of a host of political and economic uncertainties.

The net balance of revenue for the entire system increased by 10 per cent. in the year of account to October 31 last, the pace accelerating to a rate of 33 per cent. in the last quarter. This year the pattern may be reversed, with profits growth slackening off but still adding another 10 per cent. to the balance of revenue.

From the political side the uncertainties that make forecasting and advance planning difficult are the well-known problems of Quebec (a situation that will not be resolved either way during 1978); the likelihood of a federal election of uncertain outcome; and the long-delayed bill revising the Bank Act under which the chartered banks operate. On the economic side there are the doubts whether the Canadian economy will achieve the hoped for growth of 4-5 per cent., and an increasing external deficit.

In addition, this is the year when wage and profit controls expire. That may affect the banks less than might appear: the large volume of their foreign business has escaped the controls and has provided most of the bigger chartered banks with a useful escape route. Foreign currency represents almost a third of the banks' total assets and in 1977 contributed almost a third of the profits and most of the profit growth.

Not all the big chartered banks jumped in with equal enthusiasm, but at least some of the stragglers are determined to catch up. Quite apart from the better profits to be earned abroad, foreign assets also make a contribution to balance sheet appearances at a time when the Canadian dollar is failing in terms of its U.S. counterpart.

The matter is not, however, entirely uncontroversial. Mr. Victor Koloshuk, of McLeod Young Weir, in a study of the foreign exposure of Canadian chartered banks published in January, estimates that in 1977 Canadian banks increased to 5½ per cent. their share in the Euro-currency market, but also says that in order to obtain better yields they tended to take on borrowers of poorer quality.

Mr. Koloshuk says that during 1977 the prime Euro-currency rate fell from 1 to ¾ percentage points over London Inter-bank Offered Rate (LIBOR), but that Canadian banks took very few loans in that range. Most of their loans fell into the range of 1¼ and 1½ points over LIBOR. His assessment is that they are operating in a high risk, high reward market.

CHARTERED BANKS' PERFORMANCE

	ASSETS ($bn.)			BALANCE OF REVENUE* ($m.)		
	Dec. 1977	Dec. 1976	% change	Yr. to 31.10.77	Qtr. to 31.1.78	Incre[ase] on corr[e]spond[ing] qtr. %
Royal Bank	35.7	30.0	18.8	168.8	51.7	16.
Canadian Imperial Bank of Commerce	32.8	27.4	19.6	150.6	42.4	25.
Bank of Montreal	25.9	21.3	21.8	122.0	40.1	42.
Bank of Nova Scotia	22.1	18.9	16.8	131.5	34.6	11.
Toronto-Dominion Bank	19.5	16.4	18.5	100.0	29.7	12.
Bank Canadian National	6.8	6.0	14.7	26.8	6.1	8.
Provincial Bank†	4.4	3.6	22.7	14.4	4.4	23.
Mercantile Bank	2.0	1.7	16.0	14.0	4.1	9.
Bank of British Columbia	1.1	0.9	30.1	4.5	1.4	41.

* Before provision for losses, after taxes. † Took over Unity Bank June, 1977.

Prudence

Bank economists argue, however, that the Canadians are by no means over-exposed in this direction. Indeed, it is true that the Canadian system has a reputation for prudence; the last bank failure took place in 1923. The last rescue was the takeover of Unity Bank by Canadian Provincial in 1977. It had nothing whatever to do with foreign business, but rather with a thorough miscalculation of market openings for a newly founded bank.

The revision of the Bank Act has been overhanging the financial community for the best part of two years. In theory it is an event that takes place every ten years; in practice delays are frequent. The last revision, for instance, took place in 1967 instead of 1964; the current revision looks like getting onto the statute book in 1979. So far not even the draft bill has been published, and given the likelihood of an election this year final passage in 1978 can be just about ruled out.

The Bank Act regulates the chartered banks—the only financial institutions allowed to call themselves banks in Canada. In addition there is a host of "near-banks"—including savings banks and credit unions, as well as trust companies—all of which have in practice penetrated deeply into the bankers' very own business of accepting transferable deposits.

By the same token, the chartered banks have been penetrating into certain lines of business previously reserved for others. Thus the Bank Act revision of 1967, by abolishing an anachronistic rule limiting banks' interest rates to 6 per cent., cleared the way for a great expansion of the banks' consumer credit business. A White Paper published in 1976 to prepare for the next revision of the Act recorded that the banks' share in this market had risen from about a third to more than a half.

The White Paper incorporated the Government's proposal for the forthcoming revision of the Act, the chief of which we intended to re-admit foreign-owned institutions to the charmed circle of Canadian banks, and to rope the so-called near banks into the minimum reserve ratio system entertained by the Bank of Canada.

The latter proposal seems to have fallen by the wayside: it upset not only the near banks, but also the Canadian provinces under whose authority they fall. The provinces suspected a plot to enhance the powers of the federal Government at their expense.

Under the initial proposal, trust companies, credit unions, and the Quebec co-operative banks—the *Caisses populaires Desjardins*—would have been invited to join in a Canadian Payments Association, which would have replaced the money transfer system at present operated by the chartered banks. In return they would have had to maintain monetary reserves with the Bank of Canada as the chartered banks do.

A compromise proposal has come from the Canadian Senate which appears to have found favour. Under it the near banks would have to entertain rather lower liquidity reserves with the payments association itself.

Founding the association is the first step towards the eventual introduction of an electronic funds transfer system (enabling the cost of a purchase at a shop, for instance, to be transferred instantly from purchaser's to the shopkeeper's account by feeding a plastic payments—not credit—card into a computer terminal). That is why in general near-banks will wish to belong.

The Senate also proposed a reduction of the reserve requirements put on the banks. At present they have to deposit with the Bank of Canada cash equal to 12 per cent. of demand deposits and 4 per cent. of term deposits. The Senate proposed cutting those ratios to 10 per cent. and 3 per cent. respectively. In addition they have to maintain so-called secondary reserves which the Bank of Canada can vary in accordance with the needs of monetary policy. That proposal, which would help bank profits, has yet to be ruled upon by the Cabinet. The heartfelt wish of the banks that the primary reserve should carry interest has been put forward, but is unlikely to find favour.

The real departure of the White Paper proposals is very cautiously to open the door to foreign banks to make their appearance as such. In practice they operate widely already. More than half of the 50 biggest banks in the world (as listed by Fortune magazine) already operate in Canada in one form or another, almost exclusively in the wholesale sector. But the law, as it stands, forbids them to call themselves banks.

The White Paper proposals, which look like being incorporated into the Bill to be tabled, are to be a great extent intended to bring these operations under federal regulation. (At present they are incorporated by provincial charters.) That can be deduced from a passage in the White Paper which says that, unless specifically authorised, affiliates of foreign banks not having bank status in Canada should no longer have the right to borrow in Canada with their parents' guaran[tee]. In a business operating on [fine] rates that could create diffi[cul]ties.

The document also p[ro]poses to limit foreign-ow[ned] banks to a maximum of [..] branches (no great hards[hip] given the foreigners' orienta[tion] towards wholesale banking) [and] to a maximum of $500m. [in] assets. In addition it is [pro]posed to hold the foreigners [to] a maximum of 15 per cent. [of] all commercial lending [in] Canada, subject to review. T[his] is a provision that could [evi]dently cause complications [and] some arbitrariness.

The White Paper pres[ents] these proposals as a [..] designed to increase comp[eti]tion and encourage innovat[ion]. For the Progressive Conse[rva]tive Party, the Shadow Mini[ster] of Finance, Mr. Sinclair Stev[ens] argues that the Canadian c[har]tered banks are quite able [to] take care of themselves and [that] it is wrong to create a kin[d of] second class chartered bank [for] the foreigners. Foreign ba[nks] should be allowed to compe[te in] Canada with their full cred[it] reference to the proposal [that] the unchartered may be [put] under disabilities in [their] borrowing). But even [Mr.] Stevens suggests that foreigners should probably be allowed an unlimited num[ber] of branches.

Size

The size of the foreign [..] banks in Canada is a matte[r of] some dispute. Bank of Can[ada] figures show the assets [of] Canadian financial instituti[ons] affiliated with foreign bank[s] have increased from $1.4bn [at] the beginning of 1974 [to] $3.2bn. at the end of 1977.

But that leaves out m[any] representatives, above all U.S. banks, who do busines[s in] Canada without any incorp[ora]tion or even offices. Canad[ian] jargon describes them as s[uit]case bankers; one wonders [how] many millions they carry ab[out] in their flight bags, no do[ubt] carefully wrapped up in [..] pyjamas.

W. L. Luetk[ens]

Foreign banks

THE CANADIAN Government's decision to go to foreign capital markets for money to help defend the external value of the currency is seen as a fitting climax to a period in which the country as a whole has gone into debt to foreigners at an unparalleled rate.

The move came as Canada's battered dollar sank to its lowest levels since the depression years of the early 1930s. A principal cause of the exchange rate crisis was the increasingly heavy pressure on the balance of payments from servicing earlier massive foreign financings by Canadian borrowers of all kinds.

In the latter part of the 1960s interest and dividend payments to foreign investors rose gently from $1.14bn. in 1966 to $1.37bn. in 1969. Growth began to accelerate in 1970 with an increase to $1.55bn. The payments passed the $2bn. mark by 1973, reached $3.34bn. by 1976 and are estimated to have been at least $1bn. more last year. This year they will undoubtedly be close to $5bn. gross.

Interest and dividends earned from foreigners have also increased over the decade, but have remained under the $1bn. mark.

The rising bill reflects a tide of long-term capital into Canada. In 1970 about $1.16bn. gross was raised outside Can[ada] through the sale of bonds [by] Canadian borrowers. By 197[4 it] was $2.41bn., in 1975 $4.95[bn.] and in 1976 a startling $9b[n.]

The financings in 1975 [and] 1976 produced a net inflow [of] long-term capital of $3.8[..] and $7.87bn., which was us[ed] in years which saw current [pay]ments deficits of $4.78bn. [and] $4.19bn.

Net movements of capital [in] both short-term and long-t[erm] forms helped to bala[nce] Canada's international book[s in] 1975 to the tune of $4.37bn. [and] in 1976 by $4.71bn. The inf[low] was so large in 1976 that it [pro]duced a premium value for [the] Canadian dollar in terms of [U.S.] currency in a year when th[ere] was a huge deficit on curr[ent] payments.

In this decade Canadian [bor]rowers have raised an estima[ted] $15bn. in the long-term [..] debt markets. In 1971 Canad[ian] debt financing accounted [for] only about 1 per cent. of [the] total raised in the United Sta[tes]. By 1974 and 1975 it had ri[sen] to about 5 per cent., and in 1[976] a number of huge private pl[ace]ments for Canadian borrow[ers] increased the proportion to [an] impressive 9 per cent.

Last year Canadian borrow[ing] in the U.S. debt markets slip[ped] back to a more sustain[able] share of 5 per cent. or so. [..] foreign borrowing of long-t[erm]

CONTINUED ON NEXT PAGE

Innovations in the West

PREMIERS of the four ...rn Canadian provinces ...conference called in 1973, ... their economic grouses, ...hey did not like the way ...ng services were being ...led in the West by banks ...in Eastern Canada. They ...ed that the industry was a ...y controlled monopoly, ...here was no price competi... ...n rates, and that the banks ...not effectively served the ...s industrial needs, particu... the needs of small ...esses.

...experience of the three ...rn Canadian-based banks ... of which have sprung up ...that conference—indicates ...was some truth in the ...ers' complaints. The lar... ...and oldest is the Bank of ...h Columbia. It started ...tions in July 1968 and ... three days of opening ...0,000 accounts. That indi... the need there was for a ...rn-based bank even in ... Since 1968 Bank of ...h Columbia has been the ...t growing of all Canadian ... Assets last October 31, ...nd of the year of account ...$1.2bn. compared with the ...7,000 at October 31, 1968. ...s had risen from $291,000 ...5m.

...wth in the next five to ...ears should continue to be ... provided the economies ...British Columbia and ...ta. the two provinces ... the bank operates, ...n reasonably buoyant. ...is no reason to think they ...not. Mr. Albert Hall, the ...s chairman, suggests that ...ct to that proviso the ...assets in five years time ... be $3bn. to $3.5bn. and ... years time they could be ... Profit too should rise ...gly.

...portance

... the importance of the ... to the West is not told ... by its asset and profit ...s. The latter do, though. ...te how warmly Western ...ians will support a ...rn-based bank. And that ... surprising, after all, Mr. ... who is originally an ...ner, says Westerners do ..."a little differently" from ...rners. By that he means ...they tend to look more ...ds the West and the South ...is, the western U.S.) than ...isterners.

... establishment of the ...of B.C. has meant quite a ...er of things to the West. ... the banks establishment ... the development of ... money and foreign ...nge markets in Van... ...r. Those markets benefit ... the fact they are open ...the closure of business in ...rn markets.

...addition, the bank estab... ...a property investment ...which undertakes types of ...ing that would not be done ...he banks. BBC Realty ...tors has been the top performer among Canadian property investment trusts.

The bank has introduced five key innovations, of which the first was the package service account. For a set fee per month it offers a range of banking services including free traveller's cheques and Canadian dollar money orders and drafts, free cheques, lower consumer loan rates, a free safety deposit box, and an identification card for cashing cheques at branches other than the home branch.

Next came free package accounts for senior citizens. With the Bank of BC plan, the age of eligibility was 65 years, but when the major banks and trust companies got into the act a short time later, competition to provide the service showed itself in reduction of the age of eligibility. With one trust company at least, it was down to 55 years.

Then there was the community service account, whereby non-profit community associations and service clubs could get free cheques and a higher interest rate on savings accounts. That was followed by indexing of certificates of deposit and then by the introduction of a savings account that paid daily interest and had chequing privileges. (A minimum of $500 must be maintained in the account throughout the month to get full benefit of the plan.)

Bank of BC has not only affected the operations of other Canadian banks by being innovative. (Canadian banks are not noted for being innovative.) It has also affected the other banks by providing much quicker answers to loan applications among other things. The major banks fought that by decentralising decision-making and allowing regional offices higher loan approval limits.

Two Western-based banks, Canadian Commercial and Industrial Ban kof Edmonton and Northland Bank of Winnipeg, have started up within the past two years. Unlike Bank of BC, they are wholesale banks. They borrow their funds on the money market and deal with corporate accounts.

Canadian Commercial managed in the 16 months that elapsed between start-up and the banks' latest fiscal year-end not only to exceed its asset target, but also its profit target. The asse target was between $95m. and $105m.; the actual figure was $113m. The profit target was $450,000 to $475,000. That, too, was comfortably exceeded at $538,000. Growth is expected to continue to be rapid. According to projections, the bank will have assets of $438m. at June 30, 1981, and profits of $2.6m. for the 12 months ending then.

The bank has gone one step further than most banks to make the relationship between customers and the bank close and continuing. It has said it will not be moving its office managers around every three or four years as most other banks do. In addition, the bank has carved a niche for itself in the West by specialising in loans to junior industrial companies, the smaller and private companies — a fact that probably endears the bank to the Western Premiers.

In its international loan syndications and in the merchant banking services which Canadian Commercial alone of the Canadian banks provides, the bank is aided by the two foreign banks that are included in its shareholding group. The two are Banque de Paris et des Pays-Bas of France and S. G. Warburg and Co. of Britain.

Northland Bank, Canada's newest bank, is in some respects similar to Canadian Commercial though in others it is quite different. It too has found the West a good place to be for a new bank.

Participation

For one thing, like Canadian Commercial, Northland's includes in its shareholding group a foreign bank—the Deutsche Genossenschaftsbank of Frankfurt, the bank of the German agricultural co-operatives. Discussions are going on with three other foreign banks, operating in areas of particular trading interest to Canada, about participation in Northland's equity.

Unlike Canadian Commercial, Northland has among its shareholders two provincial Governments and a number of co-operatives and credit unions. The credit unions and co-operatives assist the bank by referring potential customers to it. For example, about 10 per cent. of Northland's customers have come through credit union channels, says Mr. Hugh Wilson, president. Direct canvassing, however, brings in the bulk of the customers.

Manitoba and Saskatchewan are the two provincial governments among Northland's shareholding group but it should be noted than their shareholdings are held in trust. The reason is that the federal government has still to make good a promise that provincial governments will be permitted to hold directly 25 per cent. of the voting shares of a new bank (though that holding would have to be reduced over time to 10 per cent.).

There is another key difference between Northland and Canadian Commercial—and all other Canadian banks as well—and that is in the method of pricing loans. All other banks set a rate for their best and largest corporate customers; other corporate rates range upwards from that depending on credit-worthiness. Northland works on a margin over the cost of funds raised on the money market basis.

In addition the rates on Northland's loans can be fixed for varying periods whereas the rates on corporate loans from other banks vary usually with the minimum corporate lending rate. The Northland system means that a customer who believes that money market rates are on their way down in the short term may be able to get his loan rate fixed for only 30 days, for example. If the customer believes rates are headed upwards for the next turn, he may want the rate fixed for a year perhaps. Northland is able to offer varying periods of fixing because it operates on a matched book basis. If a customer wants a fixed rate for a year, the bank gets one year money for that loan from the money market.

Like Canadian Commercial, Northland did quite well in tis $198,000 in the period under 12 months that would elapse between start-up and October 31, 1977: instead it showed a profit of $56,000. (The latter is a pre-tax figure as was the figure for Canadian Commercial's first fiscal period and also the first period for Bank of B.C. since the banks are not taxable in the first year or so because of write-off of start-up costs.)

Northland, however, did not reach its asset target of $80m. in its first year. That was partly a reflection of efforts to be extremely selective of business. It was also a reflection of a weaker than expected economy.

Canadian Commercial was likewise quite selective about the business it would take on. Neither bank wants to repeat the unhappy experience of Unity Bank of Canada. Unity began operation in 1972 and by the end of its fourth year had accumulated losses of $4.7m. It was forced to merge with another bank.

Growth for Northland, as for Canadian Commercial, over the next five years or so should be rapid. By the end of the fifth year of operation, Northland's assets should be $500m. and profit should be $961,000.

Angela Barnes

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... came to $4.3bn. Rather ...is expected this year. But ...mphasis has changed with ...ddition of a borrower who ...ot been in foreign capital ...ets for ten years: the ...al Government.

... first and most dramatic ...ple of the new trend was ...announcement last October ... the Government had ...ged a $1.5bn. line of credit ...S. dollars through the ...dian banking system. The ...came during an exchange ...crisis. Last month it de... that the time had come, ...egan to draw on the line, ...announced an additional ...a flotation in the U.S.

... banks drove a hard bar... Ottawa agreed to begin ...g a standby fee of 0.37 per ...a year and to continue ...g it on undrawn amounts ...line.

...erest on money actually ...wed is paid at a margin ...62 per cent. over the ...n inter-bank offered rate ...r) during the first three ...of the agreement and at ...per cent. in the remaining ... It is available on demand ...rms of one, two, three or ...onths, but there is a daily ... on drawings of $300m. ...fund is revolving in that ...a can reborrow any...nts it may have repaid. ...oan was parcelled out in ...rderly way in which the ...dian banks usually handles ...things, strictly according ... They handle the share... of federal Government ...its in a similar manner.

... growing muscle of Can... bank consortiums was ...lined shortly after the deal ...Ottawa when Quebec Hydro ...led that it had arranged ...ilar financing. ...involved $U.S.1.2bn. It was negotiated with an international banking syndicate managed and led by the seven largest Canadian banks, with the Bank of Montreal as lead banker.

The two-part deal consists of a medium-term floating rate loan of $750m. The remainder is in the form of a standby credit.

It was a record-breaking deal even for the Quebec power utility, which has been among the largest Canadian borrowers in recent years, principally for the huge James Bay power project.

Its previous largest deal was a $1bn. private placement of bonds in New York in February 1976.

In once sense the financing can be considered a vote of confidence in Canadian credits. The seven Canadian banks have syndicated the deal among 44 foreign banks in the U.S., West Germany, Britain, the Netherlands, France, Japan and the Middle East. It was done with ease, according to Mr. William Mulholland, the Bank of Montreal president. He said that, in fact, the Canadian banks kept more of the financing than the foreign banks would have liked.

Yet financial observers have noted that a medium-term loan with a variable interest rate is not necessarily as good a deal for the borrower as a placement of long-term bonds at a fixed rate. The Quebec Government-owned utility is paying 0.75 of a point over Libor for a term of eight and a-half years on the $750m.

In spite of these two big lines, prospects for foreign financings are clouding a little. Canadian borrowers have become infrequent in the New York public bond market since a flurry of activity at the turn of the year. There is a similar slowdown in the Eurodollar and EuroCanadian-dollar markets.

Ottawa's announcement that it would borrow more foreign currency, in adition to the drawing on the line of credit, in a sense reflects the necessity for the country's premier credit to move into the market and fill a probable gap. Yet most of the big Canadian borrowers continue to receive top credit ratings from the U.S. services. Triple A and double A classifications are the rule rather than the exception. In fact, the history of Canadian credit ratings during the past few years has been one of upgrading.

One reason why the Government was forced into the market is that provincial Governments that have been the biggest borrowers have been reining their spending, and that the capital programmes of their power-generation agencies, with the important exception of Hydro Quebec, are being shaved. The giant northern pipeline project to bring Alaskan gas south will eventually need a great deal of money from foreign capital markets, but the start-up date for the scheme appears to be slipping back.

Private corporations, hit by soaring inventories and sluggish business, are hardly exuberant spenders these days, although many of them badly need more permanent financing to repair the damage to their balance sheets.

Overall, the heyday may be over for those sharp-minded financial people who put together so many foreign-currency deals in the past few years, but there will still be business to be done.

Hugh Anderson

Gas pipeline finance

FOOTHILLS PIPE Lines (Yukon), the consortium that is building the Canadian section of the Alaska highway gas pipeline, from Prudhoe Bay to U.S. markets, is in danger of falling behind the tight decision-making and financing schedule it had set for itself this year.

The delays are beyond the company's control. While they may be giving the project managers and their financial advisors nightmares, there seems to be little that can be done other than to prod those in government, who hold the keys to the success of the project, to make up their minds on some vital issues.

One of them was settled recently with the announcement by the Canadian Government that the section of the pipeline from Whitehorse in the Yukon to Caroline, Alberta, where the line splits into two lines into the United States, will be 56-inch diameter pipe.

Setting the diameter was one of three things that Government must do before the company can plan the financing, according to Mr. S. Robert Blair, head of the consortium and the driving force behind it.

The other two are a decision by the United States on how the Alaskan gas will be priced in markets in the so-called "lower" 48 states of the United States, and the passage of the Canadian legislation authorising the pipeline. The legislation does not appear to present any problems. It has passed second reading in the House of Commons and it appears likely that it will be law before the Canadian Prime Minister, Mr. Pierre Trudeau, calls a federal election.

Problem

The problem from Mr. Blair's standpoint is that what he and his consortium are building is the Canadian link between a gas pipeline across Alaska and the gas distribution system in the lower 48 states. The gas producers are those oil companies also producing oil in the Prudhoe Bay area and the ultimate customers are utilities in the lower 48.

Before any pipeline can be financed, producers and customers have to get together and the financial managers for the pipeline have to see signatures on gas purchase contracts before they can begin to write the paper which they hope to sell to finance the pipeline. For there to be serious negotiations between Alaskan producers and U.S. utilities, the U.S. Government has to make a ruling as to how the gas will be priced in the field, and how it will be treated by utilities at the distribution end. Traditionally, the Federal Power Commission had allowed gas utilities to price their gas on a weighted-average price with high- and low-price gas being blended together, as they are, in fact, in a gas distribution system. However, the new U.S. Energy Department has replaced the FPC as the regulator of the gas industry. It ruled recently that liquefied natural gas imported from Algeria could not have its high cost rolled into the domestic price.

While such a ruling could possibly scuttle any plans to bring Alaskan gas south, it is not expected to be extended to Alaskan gas since it is from a domestic source of supply and one that the U.S. needs to help head off future gas shortages.

Even so, there can be no progress in developing financial plans until the gas pricing issue is resolved.

Now that the pipe size for the bulk of the Canadian section of the line has been chosen (the rest will be 48-inch diameter pipe), Foothills (Yukon) will prepare final cost estimates, one of the key elements in developing a financial plan. The current, round-figure cost estimate for the Canadian portion of the $10bn. system is $4bn.

Mr. Blair is certain the project can be built without Government guarantees and the amounts of capital to be imported are not excessive for the Canadian economy. In round figures, the $4bn. would be split into $1bn. of equity, all of which would come from Canadian sources; $1bn. of debt in Canada and $2bn. of debt in the U.S.

Mr. Blair says that the equity portion of the financing could have been raised several times over already in the Canadian market. Foothills (Yukon) is, at present owned 20 per cent. by TransCanada Pipe-Lines of Toronto, once a member of the rival Arctic Gas consortium which lost to Foothills in the bid to build an Alaskan gas pipeline, and 40 per cent. each by Westcoast Transmission of Vancouver and Alberta Gas Trunk Line of Calgary, Mr. Blair's company and the original backer of Foothills.

Majority

The Canadian public may be offered 20 per cent. of the equity in Foothills (Yukon) at a later date. In that case, the portion held by each member of the consortium would be reduced on a pro rata basis.

Foothills (Yukon) will be the majority owner of every section of the gas pipeline across Canada, but various sections of it will have minority partners, a plan recommended by Canada's National Energy Board in order to spread the risk across the Canadian industry. Thus, the branch from Caroline that links to utilities in the western part of the United States will have Alberta Natural Gas of Calgary as a minority partner. Alberta Natural, which already operates a major gas pipeline out of southern Alberta into the western states, is controlled by a U.S. utility that will be an important buyer of Alaskan gas.

This ownership plan also reduces the risk of cost overrun in Mr. Blair's view. All the operators of major Canadian gas trunk pipelines are involved with the Foothills (Yukon) project, and thus all of the expertise and experience available in the Canadian industry can be brought to bear on the project. Furthermore he argues that, in terms of Canadian experience with gas pipelines, only the size of the pipe is unique. The length of the line, just over 2,000 miles in Canada, the terrain to be crossed and the numbers of workers involved are all within the experience of the Canadian industry, which built a 5,700 mile system from Alberta into eastern Canada more than 20 years ago.

He also notes that the risk of cost overrun is reduced by a formula agreed upon in the pipeline treaty between Canada and the United States. The regulatory agency setting pipeline tariffs, the National Energy Board in Canada's case, will allow a greater return on equity if the project is within budget and, if cost overruns escalate, the rate of return allowed will be lowered.

Questions

While there are a number of unresolved questions about swaps, particularly those of price, which normally could be expected to escalate during the life of a swap agreement, these have been left by Canadian and U.S. authorities to the gas companies to work out. If the companies can arrive at commercial arrangements satisfactory to themselves, it will be up to the U.S. and Canadian Governments to rule on the political and regulatory aspects of a swap.

Presumably if a swap is worked out this summer and autumn, the financial planning for the pipeline would swing into high gear so that work could begin on the links into the U.S. Mr. Blair hopes that the financial managers for the project will have worked out a basic financial plan by this autumn so that it can be shown to potential backers late this year.

Under that timetable, the paper would be sold during the first half of 1979 with the first draw downs of funds coming late in 1979 as construction got underway.

The heaviest flow of funds into Canada would be in 1982 and 1983, when the construction would be at its peak.

The prebuilding of the southern end of the pipeline would mean that the flow of funds into the country would be evened out somewhat, with higher flows in the early years and lower flows later. It would also mean a more even pace of construction activity. Mr. Blair is not disturbed by the amounts involved. He noted that his company was able last year to raise $U.S.388m. for an ethylene plant that it is building in Alberta.

The fiscal agents in Canada for Foothills (Yukon) are Dominion Securities, McLeod Young Weir and Pitfield Mackay Ross, all of Toronto. Its fiscal agent in the U.S. market will be First Boston Corporation.

Jim Rusk

Oils buoy up the stock markets

WITHOUT THE speculative trading in Alberta oil stocks over the past six months business on Canadian stock exchanges would have been as sluggish as the country's economy, and there is no reason to expect anything more than a desultory interest in equities in the months ahead.

The $7.9bn. of trading done in 1977 was an improvement over the past three years but short of the $9bn. plus years of 1972 and 1973. With $24m. the average daily value of trading on the dominant Toronto Stock Exchange last year, the average brokerage firm made money—but not much.

The action in the oils has been good for both brokers and investors. The value of oil shares traded in Toronto jumped 92 per cent. in 1977 over 1976 to $975m., and the price index for oils doubled during the year. Trading in industrial stocks increased by only 12 per cent. to $6bn. and the index drifted in a narrow range.

Trading of stocks in other sectors has been generated more often by bad news than good. Mining, with the exception of uranium, has been an especially troubled industry. Profit results for manufacturing and service companies have been mixed, and much of the good news for investors has come in the form of takeover bids—some by principal shareholders who see no benefit for a small company to be public.

In addition to the economy being soft, profits and dividend payments are still under control by the federal Anti-Inflation Board. The controls are to come off this year, which could spur the market, but there will have to be a pickup in the economy to produce any enduring strength in the indexes. The health of the stock market and economy in the U.S. is also a key influence on the Canadian market.

The poor market for Canadian stocks is illustrated by the fact that equities accounted for only 2 per cent. of the new capital raised by companies last year. The number of new listings on the Toronto exchange has been steadily declining—from 74 in 1973 to only six in 1977. With takeovers and mergers, the number of companies now listed in Toronto (1,256) is two dozen fewer than in 1975.

Mr. Pearce Bunting, who headed a brokerage house bearing his family name before becoming president of the Toronto exchange in mid-1977, has complained that there is "an economic and political drift in Canada, and the lack of faith is indicated in the equity market."

On expectations that the volume of stock trading may not increase much for a few years at least, the Toronto and Montreal exchanges, in particular, have been trying to increase their operating revenues by raising some charges and getting into other trading activities.

In January, the Toronto exchange increased fees for listed companies. In the current fiscal year they will contribute 36 per cent. of total revenue instead of an indicated 25 per cent., and allow the exchange to break even on a budget of about $6.5m. Once Toronto takes such a step the other four exchanges follow.

Over the past two years, Toronto and Montreal have been dealing in "call" options and they operate a joint clearing corporation, Trans Canada Options. Writing options on the shares of West Pembina participants has at last put the level of activity up to where the sponsors originally thought it would be and, aside from expanding the list, steps are being taken to expand into "put" options.

Urgent

Diversification into operations other than stock trading is more urgent in Montreal than Toronto because Toronto continues to take an ever-increasing percentage of total trading. Montreal does not have as many oil stocks listed, which accounts for some of the slippage, but moves to Toronto by the investment departments of some big financial institutions have also hurt.

Last year, nearly 77 per cent. of the value of all trading in Canada was done in Toronto, compared with less than 70 per cent. in the early 1970s and less than 60 per cent. in the early 1950s. Montreal had about 17 per cent. of total value last year, compared with 25 per cent. in the early 1970s.

In the first couple of months of 1978, the spread between market shares in the two cities has grown even wider, with Toronto accounting for more than 80 per cent. and Montreal for less than 12 per cent. of total trading value.

Although foreign investments by most financial intermediaries are restricted by the regulatory rules, Indiv[...] Canadian investors have [...] putting a lot of money int[o] stocks over the past three [...] because of healthier eco[nomic] conditions south of the b[order]. Some U.S. stocks are list[ed on] Canadian exchanges and [...] at Canadian dollar prices [...] most investors prefer to [...] in the liveliest market, [New] York. By making a mark[et in] U.S. stocks in U.S. [...] Montreal hopes to get a [...] piece of business that a[...] to $3bn. a year.

Many brokers are sc[...] about Montreal's chances [...] according to Mr. [...] Demers, president of the [Mon]treal exchange, success i[n] such venture is directly r[...] to the amount of activity [...] taken by professionals i[n the] investment community. [...] may—and I say may—e[...] the ability for people to [...] a market in these stocks. [...] exchange has only 13 U.S. [...] listed, but members can [...] in a larger market on the [...] others by virtue of as[...] membership on the B[...] Philadelphia exchanges.

The Toronto exchang[e...] considered getting into t[...] of U.S. dollar stocks [...] Canadian bonds, but the [...] for new activities is less[...] and both are given low p[...] The main sources of new [...] ing business being cons[...] include "put" options [...] futures of debt securitie[s...] rencies and perhaps com[...] ties.

The exchange also [...] decide how far it wants [...] into the business of pr[...] market information and [...] computer services. Ove[r the] past few years, it has dev[eloped] an information system [...] Candat II and leased to [...] and allied equipment to [...] bers. The equipment co[...] used for accounting and [...] brokerage services, and [...] also the basis for com[...] assisted trading.

Trading in a few i[...] stocks through a co[...] began last year, and lat[...] year brokers may be able [...] whether the system c[...] adopted for a Canac[...] securities market. Mem[...] the five exchanges—in [Van]couver, Calgary, Wi[...] Toronto, and Montreal—[...] Investment Dealers Asso[...] of Canada have been w[...] on a plan to unify tradin[g...] computer - trading [...] developed by Toronto [...] well suited to it.

Timothy Prit[...]

Record insurance profits

ALTHOUGH CANADA'S insurance companies ended 1977 strongly in the black, industry spokesmen see clouds on the horizon that may cast a shadow over profit margins in 1978. With inflationary pressures pushing medical expenses and vehicle parts replacement and repair costs higher, there are fears that current premium levels, held in check by intense competition and federal Anti-Inflation Board (AIB) controls on company profits, may prove inadequate.

However, there is no doubt that 1977 will prove to have been the industry's best year ever. Net income, after taxes and exceptional items, rose sharply to $412.5m. for the first nine months from $261.3m. in the corresponding period of 1976. One estimate is that by the end of November the companies had accumulated about $200m. in excess revenue as defined by the AIB. While the increase in claims as a result of the severe weather of December may reduce net excess, refunds to customers required by AIB will still be hefty.

Industry sources attribute the improved results to a healthier climate for automobile insurance resulting from the large premium increases introduced in 1975 and 1976 which are now working through the system, a decline in the number and cost of collision and property damage claims, and a lack of catastrophic losses in commercial property insurance.

Mr. Daniel Damov, president of the industry-wide Insurance Bureau of Canada, says that the nine-month results indicate that company operations continued to be quite favourable in 1977 "with a definite situation of price stability across the country." He notes that most of the improvement had come from motor insurance, which is the most volatile class of business and "certainly the most sensitive politically." At the same time, property and accident results continue to range between mediocre and satisfactory.

Despite a recent easing of the regulations applicable to insurers, Mr. Damov insists that the "stringent" effects of the AIB programme, which permits the companies a return of only 4 per cent.—or, in some special hardship cases, 5 per cent.—of gross revenue, compared with last year's 3 per cent. level, continues to be a deterrent to industry growth and a restraint on optimism.

At the same time, the frequency of car accidents, after a period of decline, appears again to be on the upswing, with the likelihood that this will bring a deterioration in the motor insurance field.

Increased

For the nine months ended September 30, 1977, premium income increased by about 18 per cent. to $3.5bn. and investment income by about 20 per cent. to 342.3m.; underwriting profit was 211m.

Mr. Damov expects that total 1977 results, reflecting the usually less favourable fourth quarter, will probably produce excess revenue of 7 or 8 per cent. of gross premiums, "certainly to something less than the indicated 10 per cent. ratio."

He says the results clearly indicate that competition in the marketplace rather than the AIB restraints has led to the current motor insurance pricing reductions. It was "regrettable that the AIB does not allow the industry to retain its full profit as a support for capacity when the next cyclical downturn occurs," he adds. "These downturns, which are getting more severe, place a growing strain on the surpluses that must be built up during the upswings."

Industry profit margins this year will also be adversely affected by the Quebec Government's takeover of the bodily injury and accident benefit sides of motor insurance on March 1. Private insurance companies retain the collision and property damage cover.

In addition to the loss of $350m. in direct Quebec premium income, out of a total $800m. to $900m. market, insurers also have to return about $100m. in unexpired premium income. Mr. Damov notes that "this represents a very large disbursement for the companies, on top of the fact we must do business after losing one-third of the market. We will have to cope with a new system, while generating less revenue and carrying basically the same operating expenses."

At the same time competition has been hotting up. Current profitability has triggered a cycle of more intense competition and a wave of aggressive price-cutting is sweeping through the industry as companies attempt to secure larger shares of an improved market. Several motor insurers have already implemented premium discounts on renewal policies to protect their market share.

"It seems inevitable that the artificially lowered premium levels will bump into rising costs, perhaps as early as a year hence, and the industry's short-lived profit margins will begin to deteriorate," Mr. Damov says.

Mr. J. C. Butler, past-president of the Toronto Insurance Conference, says that the tight commercial markets of 1974 and 1975 have largely disappeared to be replaced by a general, open-door policy and many companies are using diverse methods to obtain a larger share of the market. "Rate cutting, in some instances severe, has become common." The conference represents about 30 major insurance brokerage firms with operations in North America and overseas.

Mr. J. K. Cramb, of Tomenson Saunders Whitehead of Toronto, contends that the market has become more competitive with insurers relaxing loss prevention requirements, reducing inspections, and offering lower and lower rates and broad insurance coverages.

Many of the traditional stock companies are endeavouring to write more and more off an account, if not the whole account, and there is a definite trend away from subscription policy participation, where several insurers share the insurance risk.

Life insurance sales [con]tinued to grow in 1977, b[ut at a] somewhat slower rate t[han in] the past few years. A [...] of the major 16 com[panies] representing about 80 pe[r cent.] of life insurance inve[...] showed a 7 per cent. sa[les in]crease last year to $[...] compared with a 12 per [cent.] rise in 1976. Sales are ex[pected] to continue to increase i[n 1978] but the rate of growt[h will] depend on the overall ec[onomic] conditions in the countr[y, say] industry sources.

Rapidly

Total premium income, [which sur]passed the $4bn. level f[or the] first time in 1976, rose by [...] $500m. to $4.5bn. Gro[up] insurance continued to [grow] rapidly to account for ab[out ...] per cent. of total insura[nce in] force, compared with 56 [per] cent. at the end of 1976.

In investments, holdi[ngs of] corporate bonds in[...] increased by close to $[...] mortgage holdings were [up] $1.2bn., government bon[ds] $450m., while corporate [stock] holdings showed little [...] growth. Investments of all [...] showed a total net incre[ase of] $2.55bn., up $300m. on 19[76].

The prospect of higher [...] in 1978 was partly ease[d by] the decision by Ottaw[a to] moderate the increases o[...] in the March 31, 1977, b[udget]. However, Mr. E. S. Ja[...] chairman of the Canadia[n Life] Insurance Association ([CLIA]) representing most [...] life insurers, says the ul[timate] effect of the new and ol[d pro]posals is obvious: "Taxat[ion of] life insurance companies [is] going to go up."

The CLIA also reported [its] latest compilation of [...] financial results that Ca[nadian] ownership in 1976 rose by [...] cent. to $257.2bn. It mea[ns] Canadians, with average [hold]ings estimated at $11,000 [...] now own more life ins[urance] per capita than the citiz[ens of] any other country in the [world]. The average holding in th[...] was $10,850.

Lawrence V[...]

Credit Unions still growing

EDIT UNIONS and Caiasses ulaires have become a power- influence on the Canadian incial scene in the past few rs, despite the drop in the nber of memberships in the ional Association of Canadian edit Unions (NACCU) be- se of mergers. While the nber of people who belong to redit union was little changed t year at 8m. (in a country of n.), the assets of the 3,605 mber unions in the NACCU e to $18bn. at the end of 7 from $15.7bn. at the be- ning of the year.

The number of unions that are mbers of the NACCU has pped from about 4,500 three rs ago, but individual mem- ship, although fairly stagnant t year, has increased by more n 1m. in the same period and ne of the unions have gar- red members at a rate that netimes astounded their inders. There is still room to w, especially in Ontario, ere only one in e residents is a member of a edit union, compared with e in two in Quebec and a tional average of one in three.

But the success of recent years membership and assets grew y have diverted attention m the original principles of e movement. Some unions are coming more commercially nded, seeking to make a eater return on their invest- ents rather than helping low- come wage earners and people o need financial help in time trouble. This change is more parent in western Canada, particularly Alberta, which has been experiencing boom times.

Growth has brought problems, such as an apparent preoccupation with a desire to become even bigger. The refusal of the Caisses populaires Desjardins in Quebec to issue credit cards to their members is an instance of the traditional attitude. But many credit union officials are emphasising quantity rather than quality, growth instead of service. In the view of Mr. Peter Podovinikaff, president of the NACCU, there no longer is much concern with the welfare of a neighbour. "Very often we find one credit union vigorously competing with its credit union neighbour," he says. "Growth and size have so preoccupied some officials that they have cast aside or forgotten that there are credit union members whose welfare they must keep in mind."

Proposed revisions to the Canadian Bank Act would require credit unions to deposit millions of dollars of interest-free reserves with the Bank of Canada. The credit unions, which have functioned very successfully under provincial control, would thereby come under federal control. Provincial governments, particularly in New Brunswick, Quebec, Manitoba, Saskatchewan, Alberta and British Columbia, are very disturbed by this proposed federal invasion. They do not want federal regulations conflicting with provincial regulations, federal inspectors bothering what are purely provincial and local organisations, or the money of provincial residents tied up without interest in federal reserves. The Canadian Senate has proposed dropping this proposal. The Government seems to be going along, but the final shape of the Act is as yet unkonwn.

As the movement grows up, the Canadian Cooperative Credit Society (CCCS), the national pooling body for the Canadian credit union movement, has merged with the NACCU and will provide all services formerly provided by the NACCU in addition to its financial services. The NACCU name and corporate identity are, however, being maintained. A decision on what form NACCU will take in the future will probably be made later this year and a decision will be made next year on what to call the new CCCS structure.

An expanded CCCS is expected to be able to attract money from outside the credit union movement, and plans are being prepared to begin borrowing abroad. The first borrowing will be done on the European market, rather than in the U.S., because co-operative-type banking is more familiar in Europe than in the U.S.

James Scott

Lopsided trade picture

A SOUND balance of direct trade is a typical feature of Canadian external payments, setting Canada apart from most other countries in payments deficit; it is the services and the capital service on the Canadian debt that have caused recent difficulties.

Except for a brief spell in 1975 and the beginning of 1976, the visible trade account has been in surplus continuously since the early 1960s. In 1977, a bad year for the Canadian dollar, there actually was a visible surplus of close to $3bn. It is expected to go higher in 1978 (a year which has also started badly for the exchange rate).

Nonetheless, the Canadian authorities are not happy about the structure of their foreign trade, and above all of exports. About two thirds of imports are of manufactured goods; a roughly similar share of exports consists of raw materials and semi-processed goods. There is another lopsidedness that exercises minds in Ottawa—the U.S. share in Canadian exports is as high as 60-70 per cent.

The big part raw materials play in the Canadian export picture has given rise to the cliche that Canadians are in danger of being merely hewers of wood and drawers of water—a thought that appears a bit odd to the visitor from Europe contemplating the evident affluence of Canadian life.

The close dependence upon the U.S. as the pre-eminent trading partner links up with another Canadian stereotype, the well-founded belief that much of Canadian industry consists of "branch plants" of U.S. parent companies. It is a dependence that undoubtedly has created difficulties: the intimate economic relations across the U.S. border make the impact of the leads and lags upon exchange rate movements more pronounced than they would be if the two economies were at arm's length.

Counteract

Canadian nationalists have tried to counteract the U.S. influence. The rather tame controls imposed on foreign investment are an example. Take-overs and green field ventures by foreigners have to be shown to be of significant benefit to Canada—which as a rule has turned out to be tiresome, but not an impossible task. The rather more stringent limitations on foreign bankers operating in Canada are discussed elsewhere in this survey.

Given the prospect of current account deficits in the region of $4bn. this year and last, businessmen and officials are unlikely to be worrying too much about the composition of Canadian exprts, provided they can be sold. But an underlying attitude remains from the early 1970s and before, when the Trudeau Government made an attempt, halfhearted at times, to diversify trade relations and the country's exports.

The policy decisions taken included an attempt to seek a closer relationship with the European Economic Community. The contractual link aspired to has actually been concluded, though it has remained vague at best.

Another instrument, less publicised, and of more specialised interest, but perhaps for the moment at least as effective, is the Export Development Corporation (EDC), a Crown Corporation set up in 1969 as the successor to the Export Credit Insurance Corporation founded in 1945. Government agencies designed to extend and insure credit to promote exports are two a penny in the world: the Canadian one claims to be an unusual variety, however, since it operates at a profit.

Of course that sort of thing is relative. The president of EDC, Mr. John A. MacDonald, says of his aims: "We do want to make a profit, but do not try to maximise that profit." The primary purpose of EDC is to help Canadian exporters to meet international credit competition, and by and large it has to do so on the strength of commercially borrowed funds. At present it has a ceiling placed upon its borrowing of $C4.25bn., but Mr. MacDonald hopes that this will be lifted by Act of Parliament this year.

Altogether, the EDC last year signed loan agreements totalling $1.2bn. and Mr. MacDonald hopes to reach $1.5-$2bn. this year. The aim is a mix of finance in which the private banking sector finances an average of 30 per cent. of the aggregate deals for which EDC extends loans—a target that seems to have been only barely missed so far.

But perhaps the most impressive figure in Mr. MacDonald's portfolio of statistics is that EDC helps to finance 41 per cent. of Canada's exports of capital goods and related services (such as consultant engineering) to countries other than the U.S. It is here that it can be shown to be playing a part in the attempted diversification of exports both by region and by commodity.

Classic

Besides its lending activities, EDC also provides classic export credit insurance (covering exports of $1.4bn. in 1976) and will also cover Canadian direct investment abroad against political risks such as expropriation, and the transfer risk. Cover is limited to 90 per cent. of each venture and to a maximum of $200m. for each. The ceiling of $250m. has been more than half reached.

Given that Canada is sensitive about foreign investment within its own borders this side of the EDC business requires a certain tact. Therefore, and as a matter of prudence, EDC prefers to see bilateral agreements covering investment concluded with the recipient country, and also likes the Canadian investor to have a local partner, preferably in a majority position.

Why does Canada have a profit-making export credit organisation? One obvious reason is that it does not deal with the LDCs the poorest of the poor.

Another is that Canada, as an exporter of wheat and other commodities, has an historic interest in multilateral trade and suspects non-tariff barriers and their counterpart, the various devices of export subsidy. (That did not prevent Canada, historically speaking from being a high tariff country. Nor has it stopped the Canadian Government adopting import quotas to protect its classic consumer goods industries, or laying down pipeline specifications calculated to help its own steel-makers.)

That explains why there is little interest in Ottawa in slashing interest rates to facilitate exports. Yet EDC does have a cost advantage that many others might envy. As a Crown Corporation it is exempt from corporate income taxes: last year's surplus of $15.5m. was ploughed back into the business.

W.L.L.

The pension burden

ITH continuing inflation the rden of financing private and blic pension plans in Canada becoming critical, and unless anges are made in the iounts contributed by indi- luals, serious trouble may be ly a few years away. Among e vigorous debates, none is ore fundamental than the con- oversy about what should be ne about Canada Pension an (CPP), the State old age nsion scheme.

Started in 1966, the CPP is iversal and indexed. It works a pay-as-you-go basis and at esent there is a surplus in the nd. That surplus is invested securities issued by provin- al governments, the money ing used to finance public rvices such as schools, hospi- ls and roads.

At current contribution rates is calculated that by 1983 the P will go into the red, with yments exceeding contribu- ns. That means that a tradi- nal source of provincial venue will dry up. But what is rhaps of greater importance the bigger burden that will placed on those remaining the workforce.

olution

The obvious solution is to ise the contribution rates, uich could prove expensive, ice Canada is an ageing ciety. As each year passes e proportion of retired per- ns increases, while the pro- rtion of supporting workers ops.

The combined assets of the 000-odd private pension plans, gistered retirement savings ins (a form of tax-favoured ntractual savings), and the nada and Quebec Pension ins (Quebec insisted on run- g its own pension plan under eparate act when the Canada nsion Plan was established) e estimated at about $42bn.

Many pension plans are in ancial trouble, which means re is no guarantee that the nsions that have been pro- sed will in fact be paid. De- te contributions of $1.7bn. t year, the CPP, which began ying its full pension rate in 76, will be in real trouble by e end of the century.

Many actuaries believe that w is the time to start making e CPP pay its own way, prob- ly by raising contributions d putting a ceiling on the el of future payments. The ovinces at present borrow the plus between the contribu- ns and pensions paid out for the CPP, to spend as they e with no strings attached. st of them put the money o a "general expense" ount, which of course pro- les no return.

There are some variations. itish Columbia has trans- red the debt to its Crown porations and used some of e funds to finance the British lumbia Hydro Authority. Saskatchewan has used some of the funds for its Saskatchewan Power Corporation and its land bank programme. Alberta has lent some of the money to its provincial Crown corporations at a higher interest rate than it is paying the Federal Government.

On the other hand, Ontario has had budget deficits for the past five years corresponding almost exactly to the amount available from the CPP. The exception has been Quebec, which puts the funds it gets from the CPP into the Caisse de Depot, an investment agency set up especially for the purpose. The Caisse in turn has been investing 70 per cent. of the money in Quebec provincial bonds, including Hydro-Quebec issues, and the remaining 30 per cent. in securities, mortgages and other investment media.

As a result, the Quebec Pension Plan earns about 2 percentage points more than the CPP, and the Caisse, with total investments of about $6bn., has become one of the largest bondholders and shareholders in Canada. It is a shareholder in at least two of Canada's national chartered banks. (Holdings are by law limited to 10 per cent. of a bank's equity.)

Private pension plans probably have a much greater opportunity to make the most of their funds, but they have other problems. A survey by the Financial Executives Institute revealed that about three-quarters of the company plans which they surveyed are not paying their way and that their debt is growing at an ever increasing rate.

One of the most radical suggestions about pension plans was made recently by Louis Desmarais, former chairman of Canada Steamship Lines, and now chairman of the Council for Canadian Unity. He believes pensions have become such an expensive muddle that the only solution is to scrap all plans, both public and private, and replace them with a single system in which the employers and employees contribute to individual retirement savings plans for each worker.

This type of pension would have the great advantage of moving with a worker when he changed jobs. The amount available when he retired would be whatever his fund had earned during the years he and his employers had contributed. The cost to the companies and governments could be calculated in advance, since it would be a straight percentage of salaries.

Such a plan would create a vast pool of domestic capital, vitally necessary for Canada's future strength and development, says Mr. Desmarais. In addition, it would eliminate the inequities between the general public service pension plans and the varying and not always comparable private ones.

J.S.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Stocks rally after coal strike deal

BY OUR WALL STREET CORRESPONDENT

NEW YORK, March 14.

A SETTLEMENT of the 14-week-old U.S. coal strike helped stocks reverse early weekness and prices ended higher after another active session.

The agreement also helped the dollar gain against major European currencies in late trading. The dollar's weakness was one of the principal factors behind the recent stock market decline. However, enthusiasm was tempered by a Government report of a smaller than expected rise in February's U.S. retail sales, and a 13.6 per cent. decline in early March automobile sales.

The Dow Jones Industrial Average rose 2.60 to 762.56 but the NYSE index rose only 0.21 to 49.75. Volume came to 24.30m. shares against 24.07m. shares on Monday. Advances led declines 788-to-550. The Transport Index rose 0.70 to 205.10 and Stocks were up 1.64 at 267.49. But Utilities fell 0.24 to 106.10. Earlier the DJ index was 4.50 below Monday's close.

However, the coal agreement is subject to approval by the rank-and-file membership which turned down two previous proposals.

National Presto Industries was the outstanding mover, tumbling $8¼ to $25½ on volume of 273,000 shares. The company reported earnings which analysts said came far below forecasts.

Sony Corp, the big board's volume leader, fell ¼ to $7¾ on news of a substantial decline in earnings.

Among other actives, Texas Utilities rose ¼ to $20. The company's underwriters have begun an offering of 3m. shares at $20 a share. Kennecott Copper rose $2¼ to $25¼ in active trading and TWA advanced $1¼ to $13¾.

Prices finished higher on the American Stock Exchange in active trading. The Amex index rose 0.12 to 125.77. Volume was 2.83m. shares compared with 2.77m. shares on Monday.

STP Corp., the volume leader, jumped $6¾ to $21¼ after news of a takeover by Esmark for $22.50 a share.

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Sony Corp	1,610,400	7¾	−¼
Hercules Corp	426,300	13	[illegible]
Nat. Presto Ind.	273,000	25½	−8¼
Texas Utilities	245,100	20	—
Kennecott Copper	225,600	25¼	[illegible]
Citicorp	210,300	19½	[illegible]
IBM Corp.	193,000	242½	[illegible]
Continental Illinois	189,400	23¾	[illegible]
Trans-World Air.	167,700	13¾	[illegible]
General Motors	164,694	59¾	—

OTHER MARKETS

Canada higher

Canadian markets reversed their early downward drift to close higher in moderate trading, largely following Wall Street's strength after the U.S. coal strike settlement. The Toronto Composite Index was up nearly 2¾ points and winners led losers 184-to-181. The TSE index rose 2.4 to 1,034.1 and Metals and Mines advanced 6.2 to 827.1. But Golds and Oils tended lower.

Bow Valley Industries rose ¾ to $24¼ on take-over news.

The Montreal Industrial index put on 0.43 to close at 169.06.

PARIS—The market was easier on balance after Monday's spectacular gains, with shares mixed in irregular profit-taking. Motors and Constructions held firm with Michelin gaining Frs 34 to Frs.1,195 and Peugeot up Frs.8 at Frs.292. But Aquitaine, Poclain, Moet, Club Med., Marine Wendel, Radiotechnique, BIC and L'Oreal were conspicuously lower.

Suez and Air Liquide made useful gains against the trend in their sectors. The 4.5 per cent. Napoleon-linked State Loan regained Frs.16.90 to Frs.742 after Monday's heavy fall. Turnover was at a record level of Frs.517m. In February average daily turnover was Frs.281m.

BRUSSELS—Belgian share prices were narrowly mixed in quiet trading. CBR rose B.Frs.26 to B.Frs.1,216 while St. Roch and Fluoutremer fell. Petrofina was B.Frs.35 lower at B.Frs.3,815 and its U.S. unit was also lower.

AMSTERDAM — Prices were generally lower with only Bijenkorf and Deli slightly higher against the trend. Royal Dutch fell Fls.2.10 depressing Internationals. Ommeren sustained the greatest loss in Transports falling Fls.1.50 to Fls.134.0, while ABN lost a similar amount in Banking stocks. IHC was down Fls.2.30 representing the biggest loser of the day.

FRANKFURT — Share prices weakened on concern over the North Weurttemberg-North Baden metal workers strike due to start to-day. Fears that the U.S.-West German dollar support measures may fail to check the dollar's weakness also affected prices. Motors were lower, led by Mercedes losing DM13 while Banks lost up to DM2.30 and Chemicals fell up to DM1.40.

Other losses included Kali und Salz down DM6.50, Degussa down DM4.90 and Metallgesellschaft down DM4.

ZURICH—Prices closed sharply higher after a steady opening in reaction to the recent heavy losses.

Swissair advanced by Frs.28 to Frs.805, and bearer shares of Credit Suisse and Union Bank met strong demand among leading Banks.

In Financials Oerlikon-Buehrle Bearer and Registered showed gains of about 6 per cent. each. Other firm spots included Elektrowatt, Interfood "B" and Motor Columbus. Bearer shares of Rueckversicherung and Zurich Versicherung firmed among Insurances, as did Bearer shares of Ciba-Geigy, Nestle and Sandoz in Industrials.

MILAN—The market moved generally lower in slightly busier trading, influenced by monthly liquidation factors. In leading Industrials Fiat, Finsider, both Olivettis and Pirelli Spa fell, while Montedison, Pirelli BC and Snia Viscosa showed slight gains. Bastogi was easier among financials.

OSLO—Banking, Insurances, Shipping and Industrials were all quiet.

COPENHAGEN—The market closed mixed with a lower bias in active dealings.

VIENNA—The market closed generally quietly steady.

JOHANNESBURG—Gold shares hardened in fairly active trading following higher bullion indications. Overseas interest was modest and selective yet helped by a lower Securities Rand. Financial Minings rose in line with producers in light trading. De Beers featured with a 15 cent rise to R5.70 on mixed buying.

HONG KONG — The market closed slightly easier in fairly active two-way trading. Hutchison rose 7.5 cents to $HK3.80 and Swire Pacific put on 10 cents to $HK5.70. Hong Kong Land, Jardine Matheson, Hong Kong Bank and Wheelock were steady.

TOKYO—Share prices closed slightly lower in mixed trading with export orientated shares falling, affected by the sharp Yen appreciation. Some Electricals, Vehicles and Cameras fell reflecting the Yen's rise, with Sony down Y60 to Y1,800, TDK Electronics Y30 down to Y1,670, and Honda Motor off Y10 to Y566.

AUSTRALIA — Share prices were mixed. BHP led Industrials with a 6 cent rise to $A3.58, but Sugar stocks fell on the lower London sugar price, with Bundaberg losing 12 cents to $A2.98, CSR 3 cents to $A2.75 and Pioneer 3 cents to $A1.07.

Bougainville Copper was steady at $A1.07, but BH South eased a cent to 78 cents. North BH lost 2 cents to $A1.04, CRA fell 9 cents to $A1.86.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. [illegible]

Indices

NEW YORK—DOW JONES

	Mar. 14	Mar. 13	Mar. 10	Mar. 9	Mar. 8	Mar. 7	1977-78 High	1977-78 Low	Since compilat'n High	Since compilat'n Low
Industrial	762.56	759.96	756.58	760.88	750.87	748.78	999.75 (3/1/77)	742.12 (28/2/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	88.87	88.85	88.72	88.58	88.54	88.52	93.67	88.33	—	—
Transport	205.10	204.40	201.68	199.51	200.14	199.68	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	106.10	106.46	105.82	105.62	106.41	104.86	[illegible]	[illegible]	[illegible]	[illegible]
Trading vol. 000s	24,300	24,070	27,080	21,620	22,650	18,900	—	—	—	—

	Mar. 10	Mar. 3	Feb. 24	Year ago (approx.)
Ind. div. yield %	6.14	6.22	6.14	4.43

STANDARD AND POORS

	Mar. 14	Mar. 13	Mar. 10	Mar. 9	Mar. 8	Mar. 7	1977-78 High	1977-78 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	98.58	97.94	97.78	98.64	96.86	96.06	[illegible]	[illegible]	[illegible]	[illegible]
Composite	88.95	88.95	88.88	87.89	87.84	87.46	107.11	86.90	125.85	4.40

	Mar. 8	Mar. 1	Feb. 22	Year ago (approx.)
Ind. div. yield %	5.55	5.57	5.47	4.17
Ind. P/E Ratio	8.46	8.40	8.48	10.45
Long Govt. bond yield	8.20	8.23	8.27	7.76

N.Y.S.E. ALL COMMON

Mar. 14	Mar. 13	Mar. 10	Mar. 9	1977-78 High	1977-78 Low
49.75	49.84	49.48	48.94	57.07	48.37

Rises and Falls	Mar. 14	Mar. 13	Mar. 10
Issues traded	1,843	1,842	1,841
Rises	803	788	1,127
Falls	535	600	331
Unchanged	505	454	383
New Highs	28	38	—
New Lows	24	19	—

MONTREAL

	Mar. 14	Mar. 13	Mar. 10	Mar. 9	1977-78 High	1977-78 Low
Industrial	169.06	168.65	168.60	168.26	[illegible]	[illegible]
Combined	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TORONTO Composite	1034.1	1031.7	1030.2	1020.6	[illegible]	[illegible]
JOHANNESBURG Gold	207.9	202.0	203.6	207.8	[illegible]	[illegible]
JOHANNESBURG Industrials	194.3	194.8	196.4	196.3	[illegible]	[illegible]

Overseas index table (Australia, Belgium, Denmark, France, Germany, Holland, Hong Kong, Italy, Japan, Singapore, Spain, Sweden, Switzerland): [illegible]

OVERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—95¼% (95½%)
Effective rate (at 1.9150) 43¼% (43¼%)

NEW YORK, CANADA, GERMANY, AMSTERDAM, COPENHAGEN, VIENNA, TOKYO, BRUSSELS/LUXEMBOURG, PARIS, SWITZERLAND, STOCKHOLM, MILAN, AUSTRALIA, OSLO, BRAZIL, JOHANNESBURG, SPAIN: [illegible]

£ improves

Sterling gained ground in late trading in the foreign exchange market yesterday, after a favourable reaction to the U.K. trade figures for February. The pound opened at $1.9065-1.9080, but fell to $1.8985-1.8995 during the morning, as the dollar improved against most major currencies. After publication of the trade figures, sterling touched a best level of $1.9165-1.9175, and closed at $1.9145-1.9155, a rise of 45 points on the day. The pound's trade-weighted index on the basis of the Washington Currency Agreement of December, 1971, as calculated by the Bank of England, rose to 64.6 from 64.4, after standing at 64.3 at noon and in early trading.

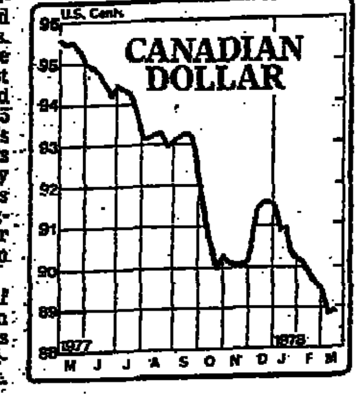
The dollar's index, on Bank of England figures, fell to 90.3 from 90.5, while Morgan Guaranty's calculation of the dollar's depreciation widened to 5.26 per cent. from 5.10 per cent.

The U.S. currency was fairly weak yesterday morning, but improved later, helped by support from the West German central bank. It lost ground again however during the afternoon, probably reflecting selling of dollars by New York banks, and finished around the worst level of the day. Trading was very thin, and the U.S. authorities may have also given support to the dollar, to prevent an even sharper decline.

The dollar finished at DM2.0415 compared with DM2.0490 previously, at Sw.Frs.1.9410, compared with Sw.Frs.1.95, and at Y233, compared with Y233.97½ on Monday.

The French franc was fairly volatile, but showed little change on the day, closing at Frs.4.7320, against the dollar, compared with Frs.4.7350.

Gold rose $½ to $187¾-188¼.



CURRENCY RATES

	Special Drawing Rights March 14	European Unit of Account March 14
Sterling	0.643777	0.653460
U.S. dollar	1.22440	1.24312
Canadian	1.37782	1.39864
Austria sch	18.1089	18.5125
Belgian franc	39.0614	39.6585
Danish krone	6.92598	7.03123
Deutschem'rk	2.51431	2.55305
Dutch guilder	2.68633	2.72670
French franc	5.60549	5.69588
Italian lira	1,052.98	1069.32
Japanese yen	285.285	290.113
Norwag krone	6.55911	6.66158
Spain peseta	98.1687	99.6883
Swedish krone	5.67534	5.76055
Swiss franc	2.39493	2.42419

EXCHANGE CROSS-RATES

Mar. 14	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.050-061	43.35-40	6.44-45	3.902-912	95.65-75	105.00-20
New York	48.55-60	—	20.19-98	3.158-145	1.902-907	46.52-62	50.75-90
Paris	230¾-31½	4.736-748	—	14.66-89	9.01-05	216.02-52	243.0-3.5
Brussels	15.61-76	31.86-91	6.71-74	—	60.65-79	14.52-57	16.32-38
London	5.50¼-91½	1.9146-55	9.06¼-06¾	60.75-85	—	4.17¼-18¼	3.71¼-72¼
Amst'dam	105.79-64	2.193-195	46.20.25	6.675-880	4.173-178	—	112.38-40
Zurich	95.140-331	1.947-949	41.114-191	6.110-121	3.716-721	88.96-89.11	—

U.S. $ in Toronto: U.S. $ = 112.42-45 Canadian cents
Canadian $ in New York=88.91-88.93 cents. U.S. $ in Milan 859.60-860.20
Sterling in Milan 1655.70-1656.30

EURO-CURRENCY INTEREST RATES*

Mar. 14	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilders	Swiss franc	W. German mark
†Short term	6¼-6¾	6¾-7¼	6¾-7	4⅞-6⅛	par-¼	3⅜-3½
7 days notice	6⅝-6⅞	6¾-7¼	6¾-7	4⅞-5⅛	par-¼	3⅜-3½
Month	6¾-7⅛	7⅛-7½	6⅞-7⅛	4⅞-5⅛	⅛-½	3¼-3⅝
Three months	7 1/16-7 7/16	7 1/16-7½	7¼-7½	4⅞-5⅛	[illegible]	3¼-3⅝
Six months	7⅞-8	7⅞-8¼	7½-7¾	4¾-5	[illegible]	3 5/16-3 9/16
One year	8 1/16-8 7/16	8 1/16-8 7/16	7⅝-7⅞	5¼-5½	1 1/16-1 7/16	3 7/16-3 11/16

Euro-French deposit rates: two-day 10¼-10¾ per cent.; seven-day 10¾-11 per cent.; one-month 11-11½ per cent.; three-month 10½-10¾ per cent.; six-month 10¾-11 per cent.; one-year 10¾-11 per cent.

Long-term Eurodollar deposits: two years 8-8¼ per cent.; three years 8¼-8½ per cent.; four years 8¼-8⅝ per cent.; five years 8 5/16-8 7/16 per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6.90-7.00 per cent.; three-month 7.05-7.15 per cent.; six-month 7.30-7.40 per cent.; one-year 7.65-7.80 per cent.

*Rates are nominal calling rates.

GOLD MARKET, FOREIGN EXCHANGES, OTHER MARKETS, FORWARD RATES: [illegible]

مكتبة الأمين

FARMING AND RAW MATERIALS

ilver and latinum love up

Our Commodities Editor

..K VALUES jumped again ..London market yesterday, ..ing the higher trend in ..S. overnight as a result of ..ontinued pressure on the ..of the dollar.

.. bullion market spot quo.. was raised at the morning by 6.6p to 287.9p an ounce ..highest level since March ..ear.

..the London Metal Ex.. silver closed 6.8p up at .. but fell in late kerb ..gs following a downturn .. U.S.

..tinum values also moved ..The London free market ..tion was raised by £2.05 ..23 ($235.5) an ounce. A ..underlying tone to the ..et was given by the decision ..pala to raise its world ..cer price by $15 to $220 an ..—in line with the increase ..stenburg last month.

..was taken as an indication ..Impala had got over its ..us doubts as to whether ..ecent rise in free market .. would be sustained.

..rency considerations con.. to dominate the base ..markets too. Copper closed ..ly easier following a lower .. in New York.

..ti nshrugged off another ..e in the Penang market ..ight. while lead and zinc ..boosted by further buying ..st of cash metal supplies.

armers warn ver dogs orrying sheep

Our Commodities Staff

..OWNERS in th Midlands ..warned yesterday that ..worrying could cost their ..their lives and themselves ..of up to £200.

..s warning was issued after ..in the area had indulged ..other bumper sheep-killing ..In the nine Midlands ..ies they killed at least 642 ..and maimed 484 others ..year. These figures cover ..reported cases

..worst single case con.. a Staffordshire farmer who ..7 pedigree sheep in one ..One of the two dogs ..sible was shot and its .. fined £80.

..t year's reported total was ..ore than in 1976 but still ..way short of the record ..e wrought in 1973 when ..ds dogs killed well over ..sheep.

..official from the Midlands .. of the National Farmers .. commented: "Dog owners ..realise that if a farmer ..eir pet worrying, or about ..rry his livestock, he is ..entitled to shoot it.

World sugar price slide halted by New York rally

BY OUR COMMODITIES STAFF

THE CONTINUING slide in sugar futures prices on the London market was brought to a halt yesterday thanks mainly to a strong opening and rapid recovery in values on the New York market.

After the London daily price for raws was set £4 a tonne lower at £94—the lowest since mid-November — the market opened about £3 a tonne down on Monday night's close and continued to fall.

However, once the slide was stopped in mid-afternoon following news of the brighter opening in New York, technical buying helped pull prices up again.

At the close, May delivery sugar was only 90p a tonne lower at £97.825 a tonne. The August price was down £1 at £102.10 a tonne on the day.

Sugar traders were puzzled by the rally and failed to isolate any single factor which could have been responsible for such a sudden recovery.

One dealer commented there was a general feeling in the market that the International Sugar Agreement was failing to stabilise prices, and traders' confidence had suffered.

There were no large-scale buyers of sugar in the market and since China and the Soviets seemed to have done all their buying for the time being, there was little prospect of any substantial improvement in demand.

At the same time sugar producing countries were keen to sell. Looking ahead to the planned renegotiation of ISA sugar export quotas in 1980, all were eager to ensure that they fulfilled their existing quotas as far as possible in the meantime.

Our Trinidad correspondent says: The five Caribbean Community and Common Market (Caricom) States Trinidad and Tobago Jamaica, Guyana, Barbados and St. Kitts and Nevis are expected to produce 1,490,500 tonnes of sugar this year. This will be 190,767 tonnes more than the 1977 crop which was one of the lowest for many years.

The five are likely to have 846,250 tonnes available for export after satisfying domestic demand.

About half of this is earmarked for sale mainly to Britain under the sugar protocol to the Lome convention.

Our correspondent in Bridgetown, Barbados, adds: Dr. Bernhard Orth, the director of a German beet growers' association, has predicted a world shortage of sugar within ten years.

Dr. Orth, heading a member delegation of his association which is touring several sugar producing countries said world sugar production at present was approximately 82m. tonnes. Demand by 1988 would be more than 100m tonnes, he claimed.

"Unless we can do something now to expand world production we will not have enough to meet the demand in ten years time," he said. He doubted whether there was the overall capacity to expand at that rate. Many sugar producing countries simply did not have the capital to increase production.

"Because of overproduction at the moment, prices are depressed and are affecting sugar industries especially in developing countries."

There was the need for a new standard world price for sugar and Germany would support African, Caribbean and Pacific countries in their efforts to obtain one.

The group, which has visited the U.S., Jamaica and Venezuela, is gathering first hand information on the production of sugar cane.

Brazil behind surge in oils

BY CHRISTOPHER PARKES

THE STILL unconfirmed reports of a poor soyabean harvest in Brazil are blamed by dealers in London for the recent rapid upswing in prices for most types of vegetable oil.

Other influences in the market are steady buying of oil and fats by the Indians and the word that the Chinese "have got their buying boots on" as one trader put it.

Forecasts from the U.S. Department of Agriculture and other authoritative sources of a bumper soya crop in the U.S. this year have had no discernible lasting effect on dealings, although some of the momentum appears to have been lost from the upward prices trend.

Last week the Bank of Brazil forecast that the soya crop, now being harvested in the main growing areas, would yield only 9.8m. tonnes of beans.

This, linked with indications that Brazil might be preparing to import beans through Argentina or Paraguay to keep its crushers in business, served to push oil prices up sharply.

Other recent estimates have put the crop as low as 9.5m. tonnes following forecasts earlier in the growing season of no lower than 11.5m. tonnes. However, some trade sources suggest the impact of the drought must have been exaggerated—a view backed by the U.S. Department of Agriculture.

An indication of the impact of the drought came earlier this month when its effects on the maize crop prompted the Brazilian Government to suspend exports of the grain. Main effect on the soya crop seems to have been a reduction in the oil content of the beans.

London merchants were surprised at the credence apparently given to the reports coming from Brazil. As one pointed out, the Brazilians clearly could not be certain about how badly the soya crop had been affected. They had still not produced final production figures for the 1977 crop harvested a full 12 months ago.

Another trader suggested that the movement in prices had been exaggerated by over-enthusiastic dealers rather than worried consumers covering themselves against future difficulties.

The market had been stagnant for some months. Dealers had been looking for some influence to wake it up a little, and the Brazilians had obligingly provided the necessary stimulus.

It is also thought that the Brazilians may be trying to buy back some of the soya contracts they have already sold.

Further pressure on market prices has come from some crushers in the U.S. who have been stepping up their orders for beans and increasing production of oil. There are fears, it seems, that if the miners' strike leads on to power cuts their crushing mills may be brought to a standstill.

Across the world the Indians are busy covering their import needs. "Everything you can offer they'll take," one trader said yesterday. It has been estimated that India may need to import more than 800,000 tonnes of oils and fats this year.

China "another bottomless pit" is also becoming more active.

"The potential increase in demand is greater than the potential increase in production," one trader observed. And while the U.S. soya crop still had to be planted it was premature to start talking about "record" crops from that source.

Downturn in cocoa market

By Richard Mooney

THE RECENT upsurge in world cocoa prices was halted yesterday with the May position on the London futures market falling £77.25 to £1,897.25 a tonne.

Dealers attributed the fall to profit-taking by speculators who thought that Monday's rise had taken the market to its peak. There had been little fundamental news to justify the rise, which was generally believed to result from covering purchases by speculators who had previously sold the market "short."

Against this background there was little to resist yesterday's decline especially as manufacturers continued to stand aside from the market.

Producer selling was much in evidence and trade hedging against this was a major encouragement to the fall.

Some traders thought the 1 per cent. decline in Dutch February cocoa grindings (compared with February 1977) encouraged the lower prices. But others reasoned that such a small decline could only be seen as "bullish" when viewed against market projections of a substantial decline in world demand.

Meanwhile cocoa producing and consuming nations were still arguing over whether or not to renegotiate the 1975 International Cocoa Agreement.

The views of delegates attending a London meeting of the International Cocoa Organisation—scheduled to end to-day—appeared to have polarised, with producers still pressing for renegotiation and consumers adopting a more definite stance that the present agreement should be extended.

JAFFA SCARE HITS EXPORTS FROM ISRAEL

By Our Own Correspondent

TEL AVIV, March 14.

ISRAEL'S CITRUS exports in February were down 40 per cent. to $25m. because of the mercury scare, but overall agricultural exports were up 18 per cent. to $52m., thanks to greatly increased shipments of off-season vegetables, fruit and flowers.

Agreco, the Israeli agricultural export company which handles fresh produce other than citrus, is airfreighting 2,100 tonnes of fruit, vegetables and flowers to European markets weekly (as against 1,200 tonnes a week in the same period last year).

It is also maintaining regular shipments from Ashdod to Marseilles

TEA AUCTIONS

Price row strains London's image

BY JOHN EDWARDS, COMMODITIES EDITOR

THE U.K. tea blenders' decision to withdraw as buyers for two weeks in succession has dealt a severe blow to the international reputation of the London tea auctions.

It could hardly have come at a worse time, with a special committee in India taking a hard look at the London auctions as part of a general investigation into the marketing of tea—one of its main export products.

To the outside world the refusal of the Tea Brokers Association to quote auction prices as a result of the U.K. blenders' withdrawal appears to confirm the view that the market is controlled by the blenders.

Any visit to the London auctions at St. Johns House, Lower Thames Street, also bolsters this view.

The name of Brooke-Smith (a short-hand description incorporating Brooke Bond and their buying brokers S. Smith) is constantly on the lips of the auctioneer, interspersed with the names of other main buyers representing Lyons Tetley, Cadburys Typhoo and the Co-op.

Sainsbury's have become an increasingly important buyer with their own successful tea brand, and about 10 per cent. of the tea auctioned in London is re-exported through various companies, notably Liptons.

However, it is a fact that the U.K. is still by far the biggest market for tea exports, so it is not surprising that British buyers should be dominant, especially at the easily accessible London auctions, at which they buy at least 50 per cent. of their requirements. On Monday only 10,000 of the 50,000 chests (50 kilos each) on offer were sold.

Trends

The auctions are difficult for the outsider to follow. There are five selling brokers, who form the Tea Brokers Association which organises the auctions. Each takes it in turn to sell from a printed catalogue different lots of tea classified under the country it comes from and the leaf size grade.

Trends change Dust tea, for example, is now in much greater demand than previously because of the surge in sales of teabags, which now account for over 40 per cent. of total U.K. tea sales.

Dust is the lowest size grade down from the whole tea, which is split up to half-size (known as broken); then quarter size—fannings; and finally dust. On top of this there are descriptions of how the raw tea has been processed—c.t.c., for example, standing for crush, tear and curl.

Samples of the tea are provided by the brokers for the buyers, who have a tricky task of acquiring the right blends to make up their individual brands.

Kenya tea might be bought for its brightness and other teas for different qualities adding up to the blend that the housewife buys in the shop.

The auctions in London, held each Monday, are open to the public but are basically fairly secretive affairs surrounded by the mystique inevitably acquired when selling in this way.

The auctioneer from the broking company concerned deals with lots outlined in the special catalogues printed for each sale, working with a valuation provided by the seller.

If this valuation—sometimes placed too high by optimistic sellers—is not reached then the offer is withdrawn, but this is a risky business since it can be several weeks before the tea can be offered again in a new catalogue.

If a sale is agreed then the buyer of the first lot in a particular group of teas being offered is given the opportunity to bid on the next lot at the same price, which can then be challenged by other bidders.

At the same time competitive bidders can offer to take part of the total lot being offered from the main bidder, and if the offer is refused make a slightly higher bid.

It is a highly sophisticated system that has withstood searching inquiries from producing countries, and the Monopolies Commission in Britain in the past.

It is freely admitted that the tea selling brokers do control the amount of tea offered each week, but this is estimated in consultation with both buyers and sellers as to what the market can take, bearing in mind shipments on their way, stocks already held in London warehouses, and the amount of money that buyers can afford to put out.

The decision by U.K. blenders to withhold from buying is an indication that they have plentiful stocks at the moment, partly because the housewife and retailers are reported to be holding off from buying in anticipation of lower prices.

Complex

Normally, blenders have to top up each week with the various different grades of tea required for incorporating into their complex blends, which even take into account regional variations in water "hardness."

Although they do buy some supplies from overseas under direct contracts with producers, or at auctions in producing countries, they will need to return to the London auctions.

They are aware of the damage their absence is doing the reputations of the auctions, but claim it is impossible to buy while Mr. Roy Hattersley, the Prices Secretary, is threatening to reduce their selling prices to uneconomical levels.

Mr. Hattersley has pledged to announce his decision on March 21 about whether he will take any further action on forcing tea price cuts. But the tea trade, particularly the auctions, is fervently hoping that an earlier announcement can be made so that the London auctions can be restored to normal trading next Monday.

This is particularly urgent since the following week coincides with the Easter holiday and no auction next week would mean at least a four-week gap—too long an absence if the market's credibility is not to be seriously undermined.

THE IMPACT of the recent Indian budget levies on coal, electricity and petroleum—all inputs in tea manufacture—would mean a cost increase of at least 25 paise per kilogram, according to Indian tea industry estimates.

The tea industry is disappointed that the budget has not lifted the export duty of Rs5 a kilogram imposed when tea prices soared last year.

India to raise zinc output

NEW DELHI, March 14.

INDIA EXPECTS to meet about 70 per cent. of its zinc requirements from domestic production in 1978-79, Mr. R. P. Kapur, chairman of the State-owned Hindustan Zinc company said, reports Reuter.

Production this fiscal year is expected to be 42,000 tonnes. An equivalent amount is expected to be imported. In 1976-77 domestic production was 27,033 tonnes and imports about 62,000 tonnes.

Mr. Kapur said India did not propose to increase its zinc smelting capacity.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Slightly lower on the London Metal Exchange with forward metal drifting from £670 to £663 pre-market before trading between £662 and £666 in the ... The price advanced to £673, following ... which was influenced by ... an easier passage to the GSA ... bill. But as the pound ... the gains were eroded and ... on the Kerb was £666. Turnover ... [illegible]

...that in the three months wirebars traded at £666, 65, 64, 64.5, 64, 63.5, 64, 64.5. Cathodes, cash £641, three months £655. Kerbs: Wirebars, three months £665, 65.5, 66, 66.5. Afternoon: Wirebars, three months £673, 72, 71.5, 71, 70. Kerb: Wirebars, three months £669, 68.5, 68, 67.5, 67, 66.5, 66, 66.5.

TIN—Little changed on balance. After a decline in the East overnight forward metal drifted from £5,930 before hedge buying against physical demand from ... [illegible]

	a.m. Official	+ or —	p.m. Unofficial	+ or —
...	650.5-1	—4.5	656-7	—2.75
...	664-.5	—5	670-.5	—2.5
...nt	651	—4.5	—	......
...	640.5-1.5	—5.25	646-7	—2.5
...	654.5-5	—5	659.5-60.5	—2.75
...nt	641.5	—5	—	......
...	—	......	60-61.5	......

...amated Metal Trading reported ...

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6015-20	+5	6020-30	+22.5
3 months	5970-90	......	5985-6005	+12.5
Settlem't	6020	+5	—	......
Standard				
Cash	6015-20	+5	6020-30	+22.5
3 months	5970-90	—2.5	5985-90	+12.5
Settlem't	6020	+5	—	......
Straits E.	†$1580	—7	—	......
New York	—	......		......

[illegible]

PUBLIC NOTICES

BOROUGH OF WIRRAL

£2,000,000 bills issued 15.3.78 at 5⅝% to mature 14.6.78. Total applications 13.5m. Total outstanding 2m.

BURNLEY

£350,000 bills issued 15.3.78 at 5⅝% to mature 14.6.78. Total applications 2.1m. Total outstanding 350,000.

CYNON VALLEY BOROUGH COUNCIL

£700,000 bills issued 15.3.78 at 5⅝% to mature 13.6.78. Total applications 7.7m. Total outstanding 700,000.

HERTSMERE BOROUGH COUNCIL

£600,000 bills issued 15.3.78 at 5⅝% to mature 14.6.78. Total applications 6m. Total outstanding 600,000.

NEWPORT

£800,000 bills issued 15.3.78 at 5⅝% to mature 14.6.78. Total applications 48m. Total outstanding 800,000.

heavy selling came in at this level and the price declined to £5,855 before closing on the Kerb at £5,960. Turnover, 1,500 tonnes.

Morning: Standard, cash £5,905, 10, 15, 20, three months £5,950, 60, 70, 65. Kerb: Standard, three months £5,970, 75, 80, 85. Afternoon: Standard, three months £6,020, 25, 15, 10, £6,000, £5,990, 85. Kerb: Standard, three months £5,880, 70, 60, 55.

LEAD—Steady despite some early liquidation which took forward metal from ... [illegible]

COFFEE

After an early reversal, Robustas firmed steadily throughout the day on dealer short-covering and chartist buying, Drexel Burnham reports. A limit-up advance in New York in late afternoon fuelled further advances towards the close and at the final call values were at the highs. ... [illegible]

£29.43 and £29.56 for the respective shipment periods. Yarn and cloth quiet, prices steady.

RUBBER

[illegible]

SILVER

[illegible]

GRAINS

[illegible]

COCOA

[illegible]

JUTE

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

Yellow April £70.00 quoted. Kenya Grade Three April $115 fob quoted.

Barley: All unquoted.

Oats—Scandinavian Feed unquoted.

EEC IMPORT LEVIES and premiums effective for March 15, in order: current levy plus April, May and June premiums, with previous in brackets, in units of account per tonne: Common wheat: 89.87, 2.22, 3.22, 2.70 (90.64, 3.18, 3.18, 3.18); Durum wheat: 122.59, 11.65, 11.65, 11.65 (122.59, 11.97, 11.97, 12.30); Rye: 80.57, 1.30, 1.30, 1.30 (80.57, 1.30, 1.30, 1.30); ... [illegible]

136.2p (+7.3); Pigs up 9.4 per cent., 60.9p (+0.1).

Scotland: Cattle up 2.9 per cent., 64.77p (+1.28); Sheep down 34.8 per cent., 125.3p (+2.2); Pigs down 9.6 per cent., 62.5p (+0.5).

SMITHFIELD (pence per pound)—Beef: Scottish killed sides 49.0 to 52.5; Ulster hindquarters 60.0 to 63.0, forequarters 37.0 to 40.0; Eire hindquarters 63.0 to 64.0, forequarters 34.0 to 41.0. Veal: Dutch hinds and ends 91.0 to 93.0. Lamb: English small 50.0 to 59.0, medium 49.0 ... [illegible]

COVENT GARDEN ... [illegible]

Pineapples—Ivory Coast: 0.35-0.90 each.

English produce: Potatoes—per 56 lb. Whites/Reds 1.40-1.80. Lettuces—per 12, Indoor 1.20-1.40. Cabbages—per ½ bag Primo 0.70-1.00. Beetroots—per 28 lb 0.80-1.00. Carrots—per bag 28 lb 0.30-0.70. Onions—per 56-lb bag 0.80-1.30. Swedes—per bag, Yorkshire 0.40, Devon 0.30. Apples—per pound, Cox's 0.12-0.32, Bramley's 0.11-0.18, Laxtons 0.10-0.12. Pears—per pound, Conference 0.13-0.16. Sprouts—per pound 0.05-0.07. Parsnips—per 28 lb 0.70-0.80. Turnips—per 28 lb 0.60. Rhubarb—per pound 0.23-0.24, Outdoor 0.20. Cucumbers—per tray 12/24s 3.40-3.80. Tomatoes—per pound 0.45-0.50.

COTTON

COTTON—Liverpool. Spot and shipment sales amounted to 123 tonnes, bringing the total for the week so far to 443 tonnes, reports F. W. Tattersall. Limited dealings occurred mainly in Russian and Turkish qualities. Support in other growths was restricted.

LONDON PALM OIL—Close: April 320.00-30.00, May 300.00-30.00, June 300.00-30.00, July 300.00-30.00, Aug. 300.00-30.00, Sept. 290.00-330.00, Oct. 290.00-330.00, Nov. 280.00-330.00. Sales: Nil.

Orkney freight charges to rise

P AND O Ferries, which operates passenger and cargo services to Orkney and Shetland, is to raise freight tariffs by 12½ per cent. on April 3.

A roll-on/roll-off cargo service between Aberdeen, Stromness (Orkney) and Shetland will start next month.

The ship Dorset will be used. It will have a refit before beginning the service.

PRICE CHANGES

Prices per tonne unless otherwise stated.

	Mar. 14 1978	+ or —	Month ago
Metals			
Aluminium	£680	......	£680
Free Market	[illegible]	[illegible]	$956.65
Copper cash W. Bars	[illegible]	[illegible]	£640.5
3 months do. do.	[illegible]	[illegible]	£654.25
Cash Cathode	[illegible]	[illegible]	£630.5
3 months do. do.	[illegible]	[illegible]	£643.75
Gold Troy oz.	[illegible]	[illegible]	$177.125
Lead Cash	[illegible]	[illegible]	£311.25
3 months	[illegible]	[illegible]	£317.75
Nickel	[illegible]	[illegible]	—
Free Market (cif) per lb	[illegible]	[illegible]	$1.95-2.0
Platinum troy oz.	[illegible]	[illegible]	£106.5
Free Market	[illegible]	[illegible]	£116.5
Quicksilver (76lb.)	[illegible]	[illegible]	$150-55
Silver troy oz.	[illegible]	[illegible]	255.2p
3 months	[illegible]	[illegible]	269.2p
Tin Cash	[illegible]	[illegible]	£6,190
3 months	[illegible]	[illegible]	£6,147.5
Wolfram 22.04lb. cif	[illegible]	[illegible]	$148.54
Zinc cash	[illegible]	[illegible]	£253.75
3 months	[illegible]	[illegible]	£263.75
Producers	[illegible]	[illegible]	$550-605
Oils			
Coconut (Phil)	[illegible]	[illegible]	$665
Groundnut	[illegible]	[illegible]	£599
Linseed Crude	[illegible]	[illegible]	$271
Palm Malayan	[illegible]	[illegible]	[illegible]
Seeds			
Copra Philip	[illegible]	[illegible]	$393
Soyabean (U.S.)	[illegible]	[illegible]	$235
Grains			
Barley EEC	[illegible]	[illegible]	[illegible]
Home Futures	[illegible]	[illegible]	£71.75
Maize	[illegible]	[illegible]	[illegible]
French No.3 Am	[illegible]	[illegible]	£98.75
Wheat	[illegible]	[illegible]	[illegible]
No. 1 Red Spring	[illegible]	[illegible]	£86.75
English Milling	[illegible]	[illegible]	£95
Cocoa Shipment	[illegible]	[illegible]	£1,885.5
Future May	[illegible]	[illegible]	£1,448.5
Coffee Future May	[illegible]	[illegible]	£1,658
Cotton 'A' Index	[illegible]	[illegible]	66c
Rubber kilo	[illegible]	[illegible]	46p
Sugar (Raw)	[illegible]	[illegible]	£107
Woolt'ps 64s kilo	[illegible]	[illegible]	270p

Nominal. ‡ Unquoted. a Seller's quotation. c Cents a pound. r Ex-tank London-Hull. o April. t March-April. u Feb.-April. v April-June. w March-May. y April-May. z May. x Per ton.

INDICES

FINANCIAL TIMES

Mar. 14	Mar. 13	Month ago	Year ago
235.94	236.75	226.99	287.34

(Base: July 1, 1952=100)

REUTER'S

Mar. 14	Mar. 13	Month ago	Year ago
1391.2	1385.8	1402.5	1738.5

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Mar. 14	Mar. 13	Month ago	Year ago
Spot	359.95	360.46	348.68	436.91
Future	345.74	345.56	330.47	424.33

(Average 1924-25-26=100)

MOODY'S

Moody's	Mar. 14	Mar. 13	Month ago	Year ago
Spie Commdty	906.4	904.1	912.5	958.7

(December 31, 1931=100)

GRIMSBY FISH—Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shelf cod £3.00-£3.50, codlings £2.50-£3.00; large haddock £3.30-£4.00, medium £3.00-£3.80, small £2.40-£3.20; large plaice £3.00-£5.30, medium £2.90-£3.00, best small £3.00-£3.80; medium skinned dogfish £5.30; large lemon soles £9.30, medium £7.50, rockfish £2.80-£3.40, reds £1.80-£2.40, saithe £1.75-£2.00.

U.S. Markets

Sharp fall in precious metals

NEW YORK, March 14.

PRECIOUS METALS closed sharply lower on speculative profit-taking following rumours of the coal strike being settled. Cocoa closed limit down at unchanged on origin selling. Sugar closed firm on trade buying and speculative short-covering. Coffee finished higher on mixed trade and Commission House short-covering.

Cocoa—March 164.00 (169.00), May 159.25 (159.25), July 154.25, Sept. 151.00, Dec. 145.00, March 141.00, May 139.25, July 137.50. Sales: 1,707.

Coffee—"C" Contract: March 153.75 (150.00), May 162.50 (158.70), July 147.25-147.50, Sept. 141.75, Dec. 129.00-130.00, March 125.00-126.00, May 120.00-123.00, July 121.00-122.00. Sales: 820.

Copper—March 59.60 (58.40), April 59.90 (58.70), May 60.40, July 61.50, Sept. 62.50, Dec. 63.90, Jan. 64.40, March 65.40, May 66.40, July 67.40, Sept. 68.40, Dec. 69.90, Jan. 70.40. Sales: 8,000.

Cotton—No. 2: May 56.30-56.50 (58.45), July 59.45-59.50 (59.86), Oct. 60.30-60.40, Dec. 60.90-60.95, March 61.70-61.80, May 62.20-62.25, July 62.80-63.25. Sales: 355,000 bales.

*Gold—March 185.50 (189.80), April 186.20 (189.40), May 187.40, June 189.90, Aug. 191.60, Oct. 194.30, Dec. 197.00, Feb. 199.70, April 202.30, June 205.90, Aug. 208.80, Oct. 211.90, Dec. 214.90, Feb. unquoted. Sales: 13,780.

†Lard—Chicago loose 28.62 (same). New York prime steam 30.12 asked (30.12 nom.).

‡Maize—March 235¼-237½ (235½), May 242½-242½ (239½), July 245-244¾, Sept. 245½, Dec. 246¼-248¼, March 254¼.

§Platinum—April 232.00-233.50 (234.50), July 232.10-233.30 (239.60), Oct. 240.00-241.00, Jan. 244.80-245.00, April 249.00-249.20, July 253.10-253.30. Sales: 1,994.

¶Silver—Spot 546.50 (542.00), March 538.90 (546.20), April 540.50 (549.30), May 544.40, July 552.30, Sept. 560.20, Dec. 572.50, Jan. 576.50, March 584.80, May 593.20, July 601.60, Sept. 610.10, Dec. 622.80, Jan. 627.00. Sales: 24,000.

Soyabeans—March 667 (665), May 673-680 (675), July 685-682, Aug. 682-685, Sept. 632, Nov. 616-614, Jan. 621-622, March 629.

Soyabean Oil—March 26.35-26.30 (26.55), May 25.60-25.70 (26.10), July 25.45-24.35, Aug. 25.00, Sept. 24.10-24.15, Oct. 23.25-23.30, Dec. 22.95-22.90, Jan. 22.85, March 22.80.

‖Soyabean Meal—March 177.00 (175.20), May 175.00-176.00 (175.30), July 178.30-177.00, Aug. 176.30-177.00, Sept. 167.00-169.00, Oct. 162.00-165.00, Dec. 163.50, Jan. 164.00-165.00, March 167.00-167.50.

Sugar—No. 11: May 7.66-7.69 (7.68), July 7.96-7.98 (7.88), Sept. 8.17-8.18, Oct. 8.28-8.30, Jan. 8.50-8.70, March 9.04-9.08, May 9.22-9.36, July 9.54-9.60. Sales: 8,674.

Tin—5.27-5.32 asked (5.25-5.35 asked).

**Wheat—March 273¼-273½ (274), May 283½-284 (283½), July 288-287½, Sept. 292-293, Dec. 301, March 308.

WINNIPEG, March 14. ††Rye—May 110.50 (111.30), July 108.50 bid (106.30 asked), Oct. 107.30 asked, Nov. 106.70, Dec. 104.50.

††Oats—May 77.80 (77.30 bid), July 75.20 bid (75.30 asked), Oct. 74.60 bid, Dec. 72.70 asked.

‡‡Barley—May 75.30 (75.30 bid), July 77.80 bid (77.40 bid), Oct. 77.40 asked, Dec. 76.00.

§§Flaxseed—May 232.00 bid (231.20), July 231.00 (232.00), Oct. 233.10 asked, Nov. 233.30 asked, Dec. 237.00 asked.

¶¶Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence 156.90 (156.39).

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounces—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime Steam f.o.b. NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse, 5,000 bushel lots. § $s per troy ounce for 50 ounce units of 99.9 per cent. purity delivered NY. ¶ Cents per troy ounce ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb bushel in store. †† Cents per 34 lb bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb bushel ex-warehouse, 1,000 bushel lots. ¶¶ $C per tonne.

STOCK EXCHANGE REPORT

British Funds firm ahead of and after trade figures

Equities harden in sympathy—Gold shares again better

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Feb. 27	Mar. 9	Mar. 10	Mar. 21
Mar. 13	Mar. 30	Mar. 31	Apr. 11
Apr. 3	Apr. 13	Apr. 14	Apr. 25

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The turnround of £418m. in the trade figures to a February current account surplus of £184m. left closing stock market levels much as they were immediately prior to the 3.30 p.m. announcement. Ahead of the figures, leading equities had improved from easier opening levels in sympathy with firm gilt-edged.

The latter were helped in the inter-office trade by sterling's late rally but made no net progress, and quotations eventually settled with the rise to ¾ which had been posted by the official close. Sentiment was helped by the ⅛ per cent. reduction in the rate of 7⅜ per cent. on this week's batch of Local Authority yearlings, while optimism about to-morrow's announcement of the latest money supply figures was another helpful influence. Taps at both ends of the market were operative, and the Government Securities index put on 0.17 to 75.82, its highest since the end of January.

A reasonable trade was transacted despite some uncertainty ahead of the trade returns, official markings holding at much the same as the previous day's 5,597 but being appreciably up on the week-ago total of 4,529. Outstanding equity features were few and far between, the leaders trading within narrow limits and ending with mixed price changes rarely exceeding threepence.

However, down 3.7 at the 10 a.m. calculation, the FT Industrial Ordinary share index picked up to show a net rise of 0.3 at 3 p.m. and was finally 0.8 up at 460.4. The recently firm undertone was also denoted in rises outnumbering falls in FT-quoted industrials, by seven-to-four, for the sixth successive day.

Doubts about the latest support measures for the U.S. dollar having the desired effect again showed in gold markets. The bullion price hardened again and the Gold Mines index put on 4.8 to 166.3.

Funds test tap levels

Late in the day, British Funds tested both tap levels and the Government broker was established at 96¾ for the short issue and re-established at 91¼ for the longer maturity. Throughout the session, the shorts were firmly against the tap and this tended to restrict the upward movement but straight demand and switching enabled the GB to supply a large tranche of the issue, Exchequer 8¾ per cent. 1983 at 96¼ and was thought unlikely to be a seller at that level this morning. The long tap Exchequer 10¼ per cent. 1995 became operational just before the 3.30 p.m. close and although overall demand at this end of the market expanded, estimates of the GB's sales tended to vary widely. News of February's improved trade returns failed to enhance the firmer tone and the longer maturities after having been ⅜ higher eased finally to settle a maximum of ⅜ better, always in the higher coupons. Corporations were often higher, where changed, and Talbex 11½ per cent. Convertible 1979/83, issued in connection with the takeover of James Warren, made a satisfactory debut in recently-issued Fixed Interests at £98.

The fluctuations in sterling continued to have an influence on the investment currency market, which was reasonably active on all types of business. The rate moved between 96¾ and 94¾ per cent. before settling little changed on the day at 95½ per cent. Yesterday's SE conversion factor was 0.6982 (0.7020).

Bank leaders higher

Leading Banks, unlike many other first-line issues, held at near their best levels in the after-hours' dealings. Following a slightly improved trade, Lloyds closed 7 higher at 267p and Barclays, despite opening a shade easier on the chairman's review, ended with a net gain of 5 at 325p. Midland, 252p, and NatWest, 278p, closed around 4 dearer. Annual results some way below market expectations caused Grindlays to react 5 to 115p, after 121p, but failed to unsettle remaining Merchant Banks. Schroders were 10 up at 360p, Guinness Peat rose 5 to 210p and Hill Samuel picked up 3 to 89p. The increased profits were not sufficient to sustain Kleinwort Benson which slipped 2 to 100p. Discounts often made progress and Smith St. Aubyn advanced 4 to 77p in a thin market, while Hire Purchases featured Cie. Bancaire, up 7½ at £44 on a combination of currency premium and domestic market influences. London Scottish Finance moved up 3 to 33p.

Another restricted business left the Insurance sector slightly lower after the recent firmness.

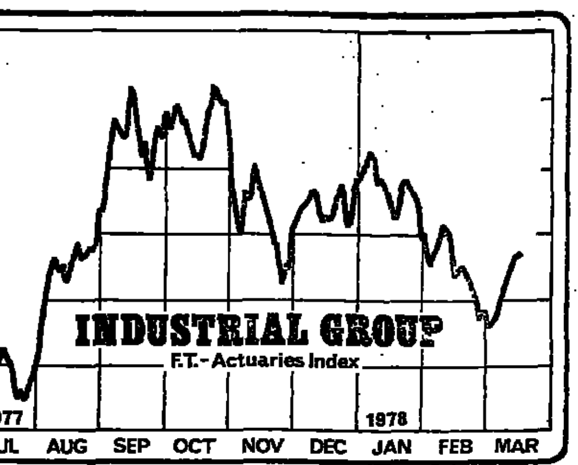
Breweries closed below the best. Allied finished 1½ harder at 88½p, after 89½p, and Bass Charrington, 3 better at 152p, after 153p. Boddingtons were supported at 130p, up 4, and Distilleries also had a firmer inclination. A. Bell, at 218p, regained half the previous day's loss of 4 on small buying ahead of to-day's interim figures, while Highland improved 4 to 141p.

Comment on the proposed merger with Hepworth Ceramic prompted a useful two-way trade in Johnson-Richard Tiles which closed unaltered at 115p after 116p. The improved results and the chairman's confident remarks lifted Fairclough Construction 1½ to 70p, while Wilson (Connolly) added 4 at 131p in a thin market. Elsewhere in Building descriptions, buyers favoured Marchwiel, 248p, and BPB, 216p, both up 3, while Cement Roadstone, at 131p, improved 4 more on the substantial increase in profits. Leading issues traded quietly, AP Cement firming 2 to 240p, but London Brick easing a shade to 66p.

ICI moved between extremes of 345p and 352p before closing 2 up on the day at 348p. Fisons eased 4 to 346p and Yorkshire Chemicals, initially a penny harder, came back to close unaltered at 86p in front of to-day's preliminary figures. Stewart Plastics again attracted small buying and, in a thin market, put on 7 to 125p.

Ever Ready down

Ever Ready, 4 cheaper at 148p, after 145p, were unsettled by the Price Commission's recommendation that the company should be allowed to raise its dry battery prices by only 2 per cent. instead of 7 per cent. as requested. Elsewhere in the Electrical sector, Laurence Scott came to life with a rise of 6 to 118p, while Kode firmed 4 to 88; the latter's annual results are due shortly. News of the bid worth 26p cash per share from Spey Investments left Cray Electronics 6 dearer at 25p; dealings were briefly suspended at the request of the company. Among the leaders, GEC moved erratically before closing 3 firmer at 261p.



Comment on the February retail sales figures failed to generate much interest in the Stores sector. Marks and Spencer finished unchanged at 149p, after 146p, while Gussies A, 284p, and House of Fraser, 134p, put on 2 apiece. Small buying lifted Wallis and Co. 4 to 50p. Gains of 3 were seen in Allied Retailers, 203p, and MFI Furniture, 66p, while L. D. and S. Rivlin, at 15p, recouped half of the Monday's fall of 2 which followed the first-half loss. Shoes had Lambert Howarth a penny better at 38p following the preliminary figures.

The Engineering leaders picked up after a dull start, but still showed small falls on the day. Tubes eased to 370p before settling at 372p for a loss of 4 on balance, while J. Brown, 278p, and Hawker, 188p, both finished 2 cheaper. Among secondary issues, Ductile Steels improved 4 to 117p helped by the encouraging statement on prospects for the rest of the current year which accompanied the interim results. Support was again forthcoming for Desoutter, which put on 5 further to 136p, while British Northrop came to life with a similar improvement to 92p. Jones Group, 87p, and C. and W. Walker, 105p, firmed 4 apiece while Hall Engineering moved up 2½p further to 90p in anticipation of Friday's preliminary results. Newman Tonks firmed 3 to 61p and similar gains were marked against Fluidrive, 63p, and United Engineering, 29p. Elsewhere, Shipbuilders were noteworthy for a rise of 7 to 169p in Vosper following the annual results.

Foods had little to commend them. Brooke Bond closed without alteration at 46p, the good interim figures being offset by the bearish statement on prospects. On the heels of Monday's rise of 5, United Biscuit edged forward a penny to 151p reflecting satisfaction with the preliminary figures and capital proposals. G. F. Lovell continued firmly, rising 2 to 34p for a two-day gain of 5 on small buying in anticipation of to-day's preliminary figures. Pork Farms closed 5 up at a 1977-78 peak of 425p following Press comment and Spillers closed the turn harder at 28p after the report that a rise in the price of bread was essential to maintain the financial viability of the major plant bakers. In Supermarkets, William Low came on offer, mirroring adverse Press mention, and fell 4 to 100p.

Grand Metropolitan closed without alteration at 101p, after 104p, while Epicure hardened a penny to 12p and Rowton Hotels 3 to 143p.

Glaxo ease

The miscellaneous Industrial leaders failed to show a decided trend. Easier at the start at 525p, Glaxo rallied to 528p before falling back to finish at 523p for a fall of 7 on balance. Turner and Newall also ended on a dull note, down 5 at 182p, but modest gains were recorded in Boots, 206p, Beecham, 617p, and Bowater, 185p. Elsewhere, Booker McConnell continued firmly at 215p, up 3, helped by news of the £15m. Philippines contract, but Pentos met profit-taking after the preliminary results and reacted to 75p before settling at 78p for a loss of 2. Smiths Industries found support at 94p, up 4, while AGB Research improved similarly to 166p. Still reflecting recent Press mention, Northern Engineering Industries put on 1½ more to 96p. Gains of 3 were recorded in Steetley, 165p, Friedland Doggart, 93p, Morgan Crucible, 115p, and Royal Worcester, 110p, while further interest was shown in Sale Tilney, up 3 more at 210p, ahead of next Monday's annual results. R. K. Watson came on offer at 30p, down 3½, while other dull spots included AAH, 96p, and Alpine Holdings, 43p, both of which gave up 2, and Robert McBride shed 10 to 340p in a restricted market.

Press comment on the preliminary figures directed fresh attention to Rolls-Royce, which rose 2½ to 78½ for a two-day gain of 10. Lucas Industries continued firmly and gained 7 further to 264p, while Dana Corporation closed a shade better at £15⅞ following the interim results. Reliant hardened a penny to 7p and Airflow Streamlines 2 to 67p. On the bid scene, W. J. Reynolds eased fractionally to 37½p, still around 1½ per share above the Manchester Garages' cash and shares offer; Manchester finished 1½ harder at 28½p.

News International resumed the recent rise and closed 5 up at 245p along with Daily Mail A, at 280p, but occasional profit-taking brought Thomson back 3 to 190p, after 188p. East Lancashire highlighted Papers with a rise of 5 to a 1977-78 peak of 52p in response to the sharply increased profits, while More O'Ferrall jumped 12 to 94p, also a high, on speculative interest which followed through from late the previous evening. Jefferson Smurfit gained 4 more to 178p.

Leading Properties traded quietly, although the trend was to slightly higher levels. MEPC, 125p, and Land Securities, 217p, both improved 2. Outstanding secondary issues included Beaumont, 89p, and Peachey, 80p, both of which gained 5. Daejan again encountered small buying, and closed a penny better at 82½p, while Fairview Estates added 3 to 100p in response to the half-yearly statement. C. H. Beazer rose another 1½ to 57p, still on the higher half-year earnings. Bellway, on the other hand, eased a penny more to 61p.

Oils quiet

Interest in the Oil sector receded to a low level. British Petroleum edged up 2 to 746p ahead of tomorrow's preliminary results, while Shell advanced to 518p before settling at 516p for a rise of 4 on the day.

Sime Darby continued to figure prominently in Overseas Traders, rising 6 to 122p for a two-day gain of 13 ahead of the interim figures, due to-morrow. S. and W. Berisford were also wanted and closed a further 9 to the good at 211p.

Investment Trusts attracted a better business and closed on a firm note. Camellia Investments edged forward 3 to 203p in anticipation of results, due to-day, while Bishopsgate Property and General rose a penny to 7p on the company's debt reduction plans. Yule Catto stood out in Financials at 86p, up 4, while gains of 3 were seen in El Oro, 54p and S. Pearson, 180p. Dawnay Day, however, eased 1½ to 35p on further consideration of the interim report.

An active two-way trade in the Shipping leaders left prices little changed. P & O Deferred held at 98p, while Ocean Transport, 130p, and Furness Withy, 259p, put on a penny apiece. Among secondary issues, John I. Jacobs edged forward a penny to 40½p in anticipation of to-day's results.

Brigray eased a penny to 5½p in lacklustre Textiles following news of the first-half loss, while a small investment demand lifted Imps 2 to 79p in otherwise little changed Tobaccos.

Plantations had firm spots in Williamson, 5 higher at 146p, and Plantation Holdings, 3 dearer at 67½p.

Golds up again

South African Golds moved further ahead in the wake of the 50 cents rise in the bullion price to $187.875 per ounce—a two-day gain of $1.75. Fuelling the improvements in both Golds and bullion were continuing uncertainties for the dollar despite Monday's U.S.-German stabilisation moves.

The Gold Mines index added 4.8 more to 166.3. Buying came from most quarters and prices closed around the day's best levels.

Among the heavyweights, new highs for 1977-78 were seen in Randfontein, ½ higher at £36½, and Western Holdings, ⅝ better at £19¾, while other stocks to show substantial gains included West Driefontein, ⅜ up at £19, and Free State Geduld, which closed ⅝ firmer at £17.

Further consideration of the recent dividend increases enabled Winkelhaak to rise 11 more to a high of 780p and St. Helena 20 to 789p. Renewed speculative buying lifted the marginals with Grootvlei and Marievale 4 to the good at 128p and 88p respectively and Wit. Nigel 6 up at 51p.

South African Financials moved ahead in sympathy with Golds. A persistent Cape demand left General Mining ¼ higher at £16¼ in front of the improved 1977 profits and increased dividend. "Amgold" put on ⅜ to £17 and Union Corporation 7 to 282p. De Beers hardened a penny more to a 1977/8 high of 344p reflecting continued U.S. buying.

News that Impala had lifted its producer price to $320—in line with the price charged by Rustenburg—was followed by a strong demand for Platinums. Bishopsgate rose 3 to 80p and Rustenburg 4 to 90p.

Hopes of British recognition for the Rhodesian internal settlement prompted modest buying of Rhodesians. Falcon Mines closed 5 better at 195p, Wankie 4 firm at 40p and Rhodesian Corporation a penny harder at 21p.

Australians drifted in subdued trading. An exception, however, were Bougainville which attracted a small amount of buying and put on 3 to 91p.

FINANCIAL TIMES STOCK INDICES

—	Mar. 14	Mar. 13	Mar. 10	Mar. 9	Mar. 8	Mar. 7	A year ago
Government Secs.	75.82	75.65	75.66	75.63	75.27	74.89	68.6[illegible]
Fixed Interest	78.25	78.12	77.89	77.63	77.41	77.38	67.6[illegible]
Industrial Ordinary	460.4	459.6	459.0	450.5	446.7	444.1	427.9
Gold Mines	166.3	161.5	157.8	163.6	168.6	165.0	129.[illegible]
Ord. Div. Yield	5.89	5.89	5.91	6.01	6.05	6.09	5.20
Earnings Y'ld % (full)*	17.51	17.52	17.37	17.68	17.79	17.90	15.9[illegible]
P/E Ratio (net) (*†)	8.10	8.10	8.07	7.94	7.88	7.84	9.0[illegible]
Dealings marked	5,523	5,597	5,401	4,741	4,546	4,529	9,597
Equity turnover £m.	—	84.07	100.05	82.93	75.97	61.25	105.87
Equity bargains total	—	16,368	16,597	14,927	14,779	13,100	24,5[illegible]

10 a.m. 455.9. 11 a.m. 459.1. Noon 458.6. 1 p.m. 458.4. 2 p.m. 458.5. 3 p.m. 459.9.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. † Nil=8.63.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 14	Mar. 13
—Daily		
Gilt-Edged	177.4	188.8
Industries	183.5	189.0
Speculative	62.8	46.1
Totals	125.7	127.4
5-day Average		
Gilt-Edged	174.1	173.7
Industrials	170.3	162.3
Speculative	53.9	50.4
Totals	117.5	113.0

OPTIONS TRADED

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Mar. 7	Mar. 20	Jun. 8	Jun. 21
Mar. 21	Apr. 10	Jun. 22	July 5
Apr. 11	Apr. 24	July 6	July 19

For rate indications see end of Share Information Service

Stocks favoured for the call included Rush and Tompkins, United Gas, UDT, Staflex International, Pacific Copper, Coalite and Chemical, Rio Tinto-Zinc, BP, New Throgmorton Warrants, Hargreaves Group, Redn[illegible] Heenan, Intereuropean Prope[illegible] Ladbroke Warrants, Burmah [illegible] Aaronson Bros., French Kier, [illegible] & J. Hyman, Tricentrol [illegible] William Whittingham, wh[illegible] doubles were arranged in El[illegible]tronic Machine, Grand Metropolitan Warrants, Talbex, [illegible] International, Town and C[illegible] Properties, Beecham, UDT, [illegible] broke Warrants, Aaronson Br[illegible] Rio Tinto-Zinc, and Britta[illegible] Arrow. A short-dated put [illegible] taken out in Grand Metropoli[illegible]

NEW HIGHS AND LOWS FOR 1977/78

The following securities quoted in the Share Information Service yesterday attained new Highs for 1977-78. There were no new Lows.

NEW HIGHS (52)

CORPORATIONS (1)
Liverpool 5¼pc '76-78

AMERICANS (2)
Republic N.Y. Corp. Saul (B. F.)

BANKS (3)
Algemene Deutsche Bank
Commerzbank

BEERS (2)
Boddingtons Greenall Whitley

BUILDINGS (5)
Cement-Roadstone Whittingham (W.)
Royco Wilson (Connolly)
Warrington

CINEMAS (1)
HTV N/V

DRAPERY & STORES (4)
Allied Retailers Ramar Textiles
MFI Furniture Status Discount

ELECTRICALS (1)
Cray Electronics

ENGINEERING (4)
Alcan 9pc Conv. Jones Grp.
Davies & Metcalfe A Thyssen

FOODS (2)
Hazlewoods (Prop.) Pork Farms

INDUSTRIALS (5)
AGB Research Securicor A N/V
Provincial Laundries Sutcliffe Speakman
Securicor

MOTORS (1)
Alexanders

PAPER (2)
East Lancs. Paper More O'Ferrall

PROPERTY (3)
Beazer (C. H.) Prop. Inv. & Fin.
Daejan

TEXTILES (1)
Reed (Wm.)

TOBACCOS (1)
BATs Defd.

TRUSTS (5)
Atlanta Baltimore Majedie Invs.
Govett European Yule Catto
Sizewell

OVERSEAS TRADERS (1)
Sime Darby

RUBBERS (3)
Cons. Plants. Kulim
Highlands

MINES (5)
Randfontein Estates Western Hldgs.
Winkelhaak De Beers Defd.
President Steyn

RISES AND FALLS YESTERDAY

	Up	Down
British Funds	58	—
Corpns., Dom. and Foreign Bonds	9	1
Industrials	387	225
Financial and Prop.	117	92
Oils	13	5
Plantations	9	2
Mines	57	13
Recent Issues	3	2
Totals	653	340

APPOINTMENTS

Two Stanley Gibbons executives join main Board

STANLEY GIBBONS INTERNATIONAL has appointed Mr. John Farthing and Mr. Colin Narbeth to the Board from the beginning of next month.

Twenty-two years ago Mr. Farthing joined the company then owned by Mr. A. L. Michael, the present chairman of Stanley Gibbons International, whose business became part of Stanley Gibbons in 1962. From that time he has been a director and in senior management and has been specifically concerned with the company's specialist and rare stamp department at the Strand, London, office.

Mr. Narbeth joined the company in 1970 as managing director of Stanley Gibbons Currency and set up the banknote dealing division. Since then he has been responsible for the expansion into coins, medals, playing cards and, most recently, shares and bonds. He founded the International Banknote Society in 1961.

Mr. Michael Fawcett is to become company secretary of Stanley Gibbons International from April 1.

★

Mr. K. H. Wallis was appointed a director of the UNION CORPORATION.

★

Dr. A. H. Raper, formerly technical director, has been appointed personnel director on the Board of GLAXO HOLDINGS. He succeeds Mr. J. G. N. Drewitt, who remains on the Board. Mr. D. J. R. Farrant, previously group technical manager, joins the Board as technical director. Dr. D. Jack, who was managing director of Allen and Hanburys Research, a member of the group, is now on the Glaxo Holdings Board as research and development director.

★

Mr. Douglas G. MacDonald has been appointed a non-executive director of K SHOES. He is managing director of John Menzies (Holdings).

★

Mr. Ronald Noble, a general manager, Mercantile Credit Company, has been appointed an assistant director of BARCLAYS MERCHANT BANK. Mr. Peter Wood, formerly a manager, treasurer's office, Barclays Bank and at present on secondment to Barclays Bank International, has also become an assistant director.

★

Stone Platt Industries has made the following changes in STONE PLATT ELECTRICAL, its electrical division. Mr. John Oratis becomes finance and overseas director with responsibility for companies in Spain, India and Australia. Mr. Keith Leech is now regional director for the U.K. and continues as director and general manager of Stone Platt Crawley. Mr. Bob Dodds has been appointed regional director in North America and he has been succeeded by Mr. Scott Johnson as president of Safety Electrical Equipment, the division's U.S. company.

★

Mr. Brian Quinn has been appointed corporate development adviser to MIDLAND BANK INTERNATIONAL. Mr. Quinn, who has been deputy chairman of the Bank's associate consultancy, MLH Consultants for some time, has recently completed a four-month period as chief industrial adviser to the Price Commission.

Mr. Brian Quinn

★

Mr. James A. Elkins Jnr. and Mr. Yves Truffert have been appointed directors of HILL SAMUEL GROUP.

★

Mr. Trenear G. Michell has been appointed to the newly-created position of group production director on the Board of DOULTON SANITARYWARE. He was previously chief executive of Doulton Sanitaryware (Baths).

★

Mr. Stuart Robinson has been appointed director of engineering at TI WELDLESS and Mr. Norman Hunt has been made engineering projects director of the company, which is within the steel tube division of Tube Investments.

★

Mr. D. R. Ross, president, WARNER-LAMBERT SERVICES, is to retire on March 31.

★

Mr. Roger K. Bell, for the past five years editor of the magazine Motor, is to join VAUXHALL MOTORS on April 3 in the newly-established position of public relations officer (cars).

★

Mr. A. H. T. Davies has been appointed assistant managing director, operations, of THOMAS COOK BANKERS at Thorpe Wood, Peterborough, and Mr. T. C. Mackay has been made development director. Mr. Davies was previously with Fenner International and Mr. Mackay was with Britannia Building Society.

★

Mr. Peter Laister, Mr. James Gulliver and Mr. Mark Pattinson have joined the Board of BUPA MEDICAL CENTRE.

★

Mr. Peter M. Williams is to retire from the Board of the REFUGE ASSURANCE COMPANY on March 31.

★

Mr. Eric Ribchester has been appointed technical director of RACAL-TACTICOM.

★

Mr. Brian Downing, advertisement director of MIRROR GROUP NEWSPAPERS, has been appointed to the new post of marketing director from April 3. Mr. Anthony Griffin, sales director of MGN since 1969, has been made chairman and chief executive of a new subsidiary called MirrorAir. He remains on the Board of MGN.

★

Mr. Harvey Steinberg has been appointed sales director of Nathaniel Williams and Co. and Mr. Brian Greenwood has become a director of Andor Textiles, subsidiaries of RKT TEXTILES.

★

The ASSOCIATION OF METROPOLITAN AUTHORITIES has appointed Mr. Peter McGurk to be its Under Secretary with specific responsibility for housing matters. Mr. McGurk is at present director of housing, South Tyneside Metropolitan Borough Council. It is the first time the AMA has appointed an Under Secretary with special experience of and responsibility for housing.

★

Mr. J. H. Cook has been appointed financial director of WARNE WRIGHT AND ROWLAND in place of Mr. P. Bennion, who is now chief executive.

HOME CONTRACTS

NATIONAL COAL BOARD contracts totalling about £3.3m. have been awarded to the following companies for the supply of PVC insulated mains cables: AEI Cables, Gravesend, Kent; BICC, Wrexham, Clwyd; Crompton Parkinson, Derby; Delta Enfield Cables, Brimsdown, Middlesex; and Pirelli General Cables, Eastleigh, Southampton.

★

LAURENCE SCOTT AND ELECTROMOTORS, Norwich, has won a contract worth about £1½m. for the supply of low voltage control equipment for a new Central Electricity Generating Board scheme in North Wales. The equipment will be an essential part of the 1,800 MW pumped-storage scheme now under construction by the CEGB at Dinorwic. This follows a recent order for control gear (also from the CEGB) for Littlebrook D power station.

★

ATLAS COPCO is to supply Coventry Compressors, part of the Grayston Group, with compressors worth £200,000.

★

BUTTERS CRANES, Glasgow, has been awarderd an £80,000 contract to supply cranes, grabs and hoists to Strathclyde's new Shieldhall sewage purification works.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977-78 high	1977-78 low
BP	£1	15	746	+2	966	720
Shell Transport	25p	13	516	+4	635	454
Barclays Bank	£1	10	325	+5	350	228
Burmah Oil	£1	9	49	—	53	41
EMI	50p	9	147	+1	234	141
Reed Intl.	£1	9	118	—	233	100
RTZ	25p	9	181	—	247	164
GEC	25p	8	261	+3	284	163
Grand Met.	50p	8	101	—	109	62
ICI	£1	8	348	+2	446	325
Lucas Inds.	£1	8	264	+7	338	203
Trafalgar House	20p	8	143	−2	187	91
BATs Defd.	25p	7	265	+1	302	202
GKN	£1	7	278	—	369	200
Rolls-Royce Mtrs.	25p	7	78½	+2½	79	54

The above list of active stocks is based on the number of bargains recorded yesterday in the Official List and under Rule 163(1) (e) and reproduced to-day in Stock Exchange dealings.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid up	Latest Renunc. Date	1977-8 High	1977-8 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
—	—	—	—	—	Nil						

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price £	+ or −
£21	F.P.	30.2	[illegible]	[illegible]	Automated Secs. 8% Cnv. Cum. Pref.	137	[illegible]
—	F.P.	24.2	[illegible]	[illegible]	Baileys of Yorkshire 10% Cum. Pref.	106p	[illegible]
••	F.P.	21.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£98½	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
••	F.P.	—	[illegible]	[illegible]	Greenall Whitley [illegible]	[illegible]	[illegible]
£100	F.P.	24.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
•	£1	28.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
••	F.P.	25.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
••	F.P.	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Shell Intl. Fin. N.V. 8% Guar. Notes 1990	[illegible]	[illegible]
£99½	£50	28.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
••	F.P.	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
—	F.P.	24.2	[illegible]	[illegible]	Whitehouse 11% Cum. Pref.	[illegible]	[illegible]
£98	£25	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p:	Amount Paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price p	+ or −
73	F.P.	15.3	[illegible]	[illegible]	Beaumont Properties	88	+5
25	nil	30.3	[illegible]	[illegible]	C. H. Industrials	[illegible]	[illegible]
10	F.P.	5.5	[illegible]	[illegible]	Crystalate	[illegible]	[illegible]
10	F.P.	1.2	[illegible]	[illegible]	I.C.C. International	[illegible]	[illegible]
21	F.P.	23.2	[illegible]	[illegible]	Manchester Garages	[illegible]	[illegible]
350	F.P.	21.2	[illegible]	[illegible]	Midland Bank	353	+2
50	nil	17.3	[illegible]	[illegible]	Millbury	[illegible]	[illegible]
62	nil	29.3	[illegible]	[illegible]	Upper Wellington	14pm	−1

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., March 14, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Tues. Mar. 14 Index No.	Mon. Mar. 13 Index No.	Fri. Mar. 10 Index No.	Thurs. Mar. 9 Index No.
1	CAPITAL GOODS (170)	200.66	+0.3	17.64	5.82	8.05	200.12	198.78	196.20	193.97
2	Building Materials (27)	179.92	+0.2	16.95	5.88	8.41	179.53	176.70	174.01	171.65
3	Contracting, Construction (26)	308.84	+0.3	18.61	4.16	8.54	307.96	306.55	301.43	297.17
4	Electricals (15)	440.60	+0.9	15.10	4.02	9.45	436.58	434.12	427.96	422.38
5	Engineering Contractors (14)	285.66	−0.1	17.38	7.06	7.88	286.06	283.23	277.49	276.14
6	Mechanical Engineering (71)	156.98	−0.1	19.36	6.53	7.34	157.11	156.50	154.75	153.16
8	Metals and Metal Forming (17)	160.40	—	19.46	8.52	6.80	160.47	160.04	159.07	157.81
11	CONSUMER GOODS (DURABLE) (52)	183.26	+0.4	18.71	5.15	7.74	182.59	181.28	179.56	178.25
12	Lt. Electronics, Radio TV (15)	220.19	—	16.18	3.84	8.93	220.09	219.58	217.58	215.71
13	Household Goods (12)	164.94	+0.5	19.15	7.42	7.09	164.06	162.95	162.24	162.45
14	Motors and Distributors (25)	112.29	+0.8	22.66	6.69	6.49	111.36	109.68	108.44	107.64
21	CONSUMER GOODS (NON-DURABLE) (176)	192.20	+0.4	16.66	6.11	8.31	191.51	191.17	187.49	185.25
22	Breweries (14)	220.75	+1.0	14.79	6.02	10.25	218.37	216.17	211.69	208.72
23	Wines and Spirits (6)	243.30	+0.2	17.00	5.91	8.92	242.75	243.20	238.72	235.31
24	Entertainment, Catering (18)	241.96	−0.1	16.45	7.10	8.84	242.09	239.42	233.69	229.92
25	Food Manufacturing (22)	182.00	—	21.74	6.54	6.50	182.09	180.52	179.84	178.96
26	Food Retailing (16)	183.51	−0.5	15.00	4.98	9.62	184.39	182.14	180.83	178.94
32	Newspapers, Publishing (13)	305.50	−0.6	11.00	4.09	13.51	307.46	299.96	293.34	286.26
33	Packaging and Paper (15)	127.48	+0.2	20.90	9.18	6.88	127.21	127.08	124.16	123.92
34	Stores (38)	180.71	+0.6	10.70	4.40	13.74	179.67	181.76	177.26	174.51
35	Textiles (25)	168.30	+0.1	21.95	8.01	5.65	168.08	165.78	164.61	164.28
36	Tobaccos (3)	238.23	+1.0	23.23	7.86	5.12	235.88	236.96	229.24	225.69
37	Toys and Games (6)	98.91	−1.1	20.43	6.00	6.54	99.98	99.62	98.44	97.38
41	OTHER GROUPS (97)	181.95	+0.1	17.02	6.07	7.77	181.82	180.29	177.97	176.35
42	Chemicals (19)	252.26	+0.4	18.86	6.86	7.11	251.30	250.11	246.42	244.51
43	Pharmaceutical Products (7)	237.39	−0.2	11.59	4.18	11.07	237.86	236.72	233.13	231.23
44	Office Equipment (6)	127.18	+0.9	19.08	4.89	6.15	126.02	123.54	121.80	121.00
45	Shipping (10)	432.84	+0.5	22.75	6.77	5.21	430.73	428.66	424.89	419.01
46	Miscellaneous (55)	188.45	−0.4	16.83	6.55	8.42	189.17	186.66	184.84	182.84
49	INDUSTRIAL GROUP (495)	197.55	+0.3	17.13	5.96	8.07	197.02	196.04	193.01	190.93
51	Oils (5)	439.19	+0.5	15.79	4.44	7.70	437.02	432.66	426.14	426.66
59	500 SHARE INDEX	217.81	+0.3	16.93	5.74	8.01	217.15	215.91	212.58	210.66
61	FINANCIAL GROUP (100)	163.26	−1.6	—	5.55	—	165.89	164.65	161.21	160.07
62	Banks (6)	174.83	−5.0	27.74	6.15	5.40	184.02	183.44	181.29	180.91
63	Discount Houses (10)	195.46	+1.2	—	8.45	—	193.11	194.06	194.06	190.76
64	Hire Purchase (5)	150.66	−0.2	12.35	5.31	11.98	150.95	150.57	149.65	147.96
65	Insurance (Life) (10)	138.09	−0.5	—	6.05	—	138.82	136.84	132.74	132.58
66	Insurance (Composite) (7)	130.91	−0.8	—	6.44	—	131.91	130.47	126.62	124.97
67	Insurance Brokers (10)	344.48	−1.2	13.05	4.07	11.11	348.80	342.13	333.43	330.78
68	Merchant Banks (14)	76.58	+1.0	—	6.24	—	75.81	75.16	74.31	74.19
69	Property (31)	238.20	+0.3	2.81	2.89	68.15	237.54	237.33	232.07	229.92
70	Miscellaneous (7)	106.90	−0.3	24.26	7.43	5.72	107.22	106.65	105.61	105.08
71	Investment Trusts (50)	181.34	—	3.51	5.25	28.46	181.39	179.71	178.40	177.49
81	Mining Finance (4)	89.50	—	17.42	6.54	6.68	89.50	87.75	86.89	87.19
91	Overseas Traders (19)	273.83	+0.4	16.98	7.16	7.33	272.82	270.36	267.25	266.41
99	ALL-SHARE INDEX (673)	202.01	−0.1	—	5.73	—	202.12	200.81	197.63	196.81

FIXED INTEREST PRICE INDICES

	British Government	Tues. Mar. 14	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	108.93	+0.08	—	2.10
2	5-15 years	122.24	+0.27	—	1.80
3	Over 15 years	129.87	+0.27	—	2.32
4	Irredeemables	144.75	+0.34	—	1.78
5	All stocks	119.73	+0.20	—	2.11

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. Mar. 14	Tues. Mar. 14
1	Low Coupons	5 years	7.63	7.65
2		15 years	9.85	9.89
3		25 years	10.34	10.37
4	Medium Coupons	5 years	9.58	9.72
5		15 years	10.90	10.93
6		25 years	11.06	11.09
7	High Coupons	5 years	9.94	9.98
8		15 years	11.65	11.68
9		25 years	11.97	12.00
10	Irredeemables		10.18	10.21

		Tuesday, March 14 Index No.	Tuesday, March 14 Yield %	Monday March 13	Friday March 10	Thurs. March 9	Wed. March 8	Tues. March 7	Monday March 6	Friday March 3
15	20-yr. Red. Deb. & Loans (15)	60.96	†12.19	60.96	60.53	60.42	60.57	60.67	60.59	60.69
16	Investment Trust Prefs. (15)	56.59	12.53	56.66	56.71	56.68	56.88	56.83	59.93	56.67
17	Coml. and Indl. Prefs. (20)	75.80	11.96	76.08	76.00	76.09	76.61	76.86	76.92	77.00

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 13p, by post 22p.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	SHK210.60			3.40
Jardine Fpn. Fd.*	SHK283.04			1.10
Jardine S.E.A.	SUS11.89			2.60
Jardine Flem.Int.†	SHK8.94			—

NAV Feb. 28. *Equivalent SUS61.40. Next sub. March 31.

Kemp-Gee Management Jersey Ltd.

1, Charing Cross, St. Helier, Jersey. 0534 73741

Kemp-Gee Capital	79.7	82.1	-0.2	—
Kemp-Gee Income	64.8	66.9	+2.5	8.55

Warburg Invest. Mngt. Jrsy. Ltd.

1 Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd Feb. 23	SUS12.37	12.69		—
CMT Ltd. Feb 23	£12.62	12.95		—
Metals Tst. Feb. 16	£10.95	11.20		—
TMT Mar 9	SUS9.18	9.42		—
TMT Ltd Mar 9	£9.28	£9.52		—

World Wide Growth Management

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	SUS12.81	+0.01	—

NOTES

Prices do not include $ premium, except where indicated ✝, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ≠ Suspended. ✦ Yield before Jersey tax. † Ex-subdivision.

New Zealand Ins. Co. (U.K.) Ltd.♥

Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key Inv. Plan	140.6	144.9		—
Small Co's Fd	95.0	100.0		—
Technology Fd	95.0	100.0		—
Extra Inc. Fd	93.8	98.8		—
American Fd	92.8	97.7		—
Far East Fd	95.0	100.0		—
Gilt Edged Fd	95.0	100.0		—
Con. Deposit Fd	95.1	100.1		—

NPI Pensions Management Ltd.

48, Gracechurch St., EC3P 3HH. 01-623 4200

Managed Fund	141.1	147.0		—

Prices March 1. Next dealing April 3.

For New Court Property see under Rothschild Asset Management

BASE LENDING RATES

A.N. Bank	6½%	■ Hill-Samuel §	6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	6½%
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8 %
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
Charterhouse Japhet	6½%	Shenley Trust	9½%
Choularions	6½%	Standard Chartered	6½%
C. E. Coates	7½%	Trade Dev. Bank	6½%
Consolidated Credits	6½%	Trustee Savings Bank	6½%
Co-operative Bank *	6½%	Twentieth Century Bk.	7½%
Corinthian Securities	6½%	United Bank of Kuwait	6½%
Credit Lyonnais	6½%	Whiteaway Laidlaw	7 %
The Cyprus Popular Bk.	6½%	Williams & Glyn's	6½%
Duncan Lawrie ¶	6½%	Yorkshire Bank	6½%
Eagil Trust	6½%		
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	8½%		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	6½%		
Greyhound Guaranty	6½%		
Grindlays Bank ‡	6½%		
Guinness Mahon	6½%		
Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 3%, 1-month deposits 3½%.

† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.

‡ Call deposits over £1,000 3%.

§ Demand deposits 4%.

¶ Rate also applies to Sterling Ind. Secs.

INSURANCE BASE RATES

† Property Growth 7½%

† Vanbrugh Guaranteed 7.43%

† Address shown under Insurance and Property Bond Table.

CORAL INDEX: Close 455-460

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Red.
104⅛	97⅞	Treasury 10½pc '78‡‡	101½	.....	10.34	5.92
100⅛	90	Exch. 5pc '76-78‡‡	99⅞xd	+⅛	5.03	6.06
107	95	Treasury 11½pc '79‡‡	104	+⅛	11.03	6.91
97¼	84	Treasury 3pc '79‡‡	96xd	.....	3.09	5.12
98¼	85⅛	Electric 4½pc '74-79	97xd	.....	4.35	5.88
106	92	Treasury 10½pc '79‡‡	103	+⅛	10.10	7.84

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

US $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

1977-78 High	Low	Stock	£	+ or −	Div. Gross	Cvr	Y'ld Gr's
35	20¾	Fluor Corp. $⅝	24	.....	$1.20	—	2.8
41½	26⅝	Ford Motor $2	33¼	+⅛	$3.20	—	5.4
28⅞	16⅛	GATX	18xd	.....	$2.50	—	7.8
47¼	29⅝	Gen. Elect. $2½	35⅛	−⅛	$2.20	—	3.6
25¾	15⅛	Gillette $1	19¾xd	+½	$1.50	—	4.3
45⅛	28	Honeywell $1.50	33⅞xd	−¼	$1.90	—	3.2
935p	750p	Hutton E.F.	865p	+35	$0.68	—	4.5
251	171	I.B.M. Corp. $5	180xd	−2	$11.52	—	3.1
66⅛	34	Ingersoll-R $2	39¾xd	−1	$3.00	—	4.3
23½	630p	Int. Systems & Con. $1	13⅝	+⅛	25c	—	1.1
11⅝	705p	I.U. International	836p	−19	90c	—	6.1
33⅞	18	Kaiser Al. $⅓	22¼xd	+⅛	$1.60	—	4.1
34⅝	20	Manf. Han. US$7.50	22¾xd	+¼	$1.92	—	4.9
48	26⅝	Morgan (JP) US$2.5	31½	+¼	$2.20	—	4.0
17¼	12	Norton Simon Inc. $1	13½	.....	76c	—	3.2
25	13⅛	Owens-Ill. $3.125	15xd	−⅛	h$1.06	—	4.0
22	14⅛	Quaker Oats US$5	16⅝	+½	$1.04	—	3.5
21⅝	14½	Reliance $0.25	21xd	.....	15c	—	—
25¾xd	16¼	Rep. N.Y. Corp. $5	25⅛xd	+⅛	$1.00	—	2.5

[illegible]

S.E. List Premium 43⅝% (based on $US1.9075 per £)

Conversion factor 0.6982 (0.7020)

CANADIANS

[illegible]

S.E. List Premium 43⅝% (based on $2.1470 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1977-78 Low	Stock	Price	+ or —	Div Net	Cvr	Y'ld Gr's	P/E
18	L.K. Ind. Invs.	34	......	†d2.38	2.2	10.6	6.4
29¾	L.R.C. Intl. 10p	40	+1	†2.29	2.6	8.4	7.2
24	Lawtex	60	......	2.91	4.6	7.4	4.0
125	Lead Inds. 50p	134	-1	†7.37	2.6	8.3	5.8
58	Leadenhall Sterling	100	......	†4.09	4.0	6.3	5.8
36	Le Bas (Ed.)	41	+1	†1.65	—	6.1	—
30	Leboff Fobel 10p	44½	......	†1.62	2.5	5.5	11.0
39	Lebus Harris	48	......	3.27	2.9	10.3	13.9
33	Leigh Ints. 5p	161	......	u3.63	2.2	3.4	20.3
60	Leisure Car 10p	107	-1	†h4.03	b2.2	5.7	12.3
96	Lep Group 10p	243	......	†3.1	8.9	1.9	6.1
56	Lesney Prods. 5p	61	-2	†d2.64	4.6	6.6	4.8
70	Letraset 10p	105	+2	†2.83	4.7	4.1	6.7
9	Liden 10p	23	......	—	—	—	—
17	Lindsay & Wms.	38	......	†1.01	2.1	4.0	18.0
58	Lindustries	135	......	‡19.0	2.8	10.1	4.5
24	Lon. & Nthn. Grp.	25	......	†2.0	2.4	12.1	5.1
17	Long Hmbly. 10p	35	......	1.44	5.6	6.2	3.2
30	Longton Trans.	53	......	†d3.46	3.7	10.1	3.0
39	Lonsdale Univrsl.	75	+1	4.63	2.3	9.4	5.4
118	Low & Bonar 50p	164	......	b10.89	2.1	10.1	6.0
26½	M.Y. Dart 10p	63	......	2.14	4.5	5.2	4.7
13	Maranie Lin. 10p	20	......	1.80	1.1	13.6	(9.3)
71	McCarthy Ph. 20p	91	-1	3.94	4.1	6.6	4.4
45	Macfarlane Gp.	62	......	†3.49	1.7	8.5	10.3
155	McBride Rbt. 10p	340	-10	†4.46	7.9	2.0	9.7
10	McCleery L'A	10	......	0.25	—	3.8	—
36½	Macpherson (D.)	56	......	2.64	ϕ	7.1	ϕ
17	Md'me Tu'ds 5p	64	......	ϕK3.19	1.5	7.6	13.4
46	Magnolia Group	74	......	†d2.45	5.9	5.0	5.1
50	Mngmt. Ag. M 10p	74	-1	5.61	2.7	11.5	5.0
166	Man Ship Can. £1	200	......	15.56	1.3	12.3	9.2
9¾	Marling Ind. 10p	17½	......	db0.92	2.2	8.0	8.8
25	Marshall Cty. 'A'	35#	......	ϕ†2.26	3.3	9.8	4.6

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld. Gr's
210	70	Falcon Rh.50c	195	+5	Q50c	1.3	23.8
24	9	Rhod'n Corp 16½p.	21	+1	0.57	4.3	4.1
165	52	Roan Cons. K4	70	......	—	—	—
164	115	Tanganyika 50p	123	......	Q11.0	1.1	8.9
80	70	Do. Pref. 80p	80	......	Q9%	16.4	9.0
42	27	Wankie Col. Rh 1	40	+4	Q7½c	1.4	16.0
27½	10	Zam.Cpr.SBD0.24	10½	......	—	—	—

AUSTRALIAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld. Gr's
30	10	Acmex 25c	10	......	—	—	—
127	57	Bougainville 30 Toea	91	+3	Q5c	1.5	5.5
126	62	BH South 50c	66	-1	—	—	—
375	119	Conzinc Riotinto 50c	158	......	Q10c	ϕ	4.0
72	18	G.M. Kalgoorlie $1	70	......	—	—	—
112	77	Hampton Areas 5p	93	......	1.45	4.1	2.4
35	10	Metals Ex. 50c	22	......	—	—	—
242	125	M.I.M. Hldgs. 50c	141	+2	Q9c	1.7	3.9
105	10	Mount Lyell 25c	17	......	—	—	—
2¾	1	Newmetal 10c	2	......	—	—	—
120	79	North B. Hill 50c	88	......	Q5c	1.5	5.6

TINS

COPPER

MISCELLANEOUS

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld. Gr's
9½	9	Burma Mines 17½p	9	......	—	—	—
600	220	Cons. Murch. 10c	220	......	Q30c	ϕ	7.8
375	245	Northgate C$1	287	-3	—	—	—
247	164	R.T.Z.	191	......	18.5	q3.1	7.1
70	28½	Sabina Inds. C$1	33½	-½	—	—	—
£14¾	780	Tara Explor. $1	780	......	—	—	—
55	39	Tehidy Minerals 10p	45	......	1.21	2.5	4.1
160	120	Yukon Cons. C$1	140	+10	Q7c	ϕ	2.4

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimate for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or —
Albany Inv. 20p	23	......
Ash Spinning	43	......
Bertam	14	......
Edg'wtr Est. 50p	285	-1
Clover Croft	22	......
Craig & Rose £1	400	......
Dyson (R. A.) A	41	......
Ellis & McHdy.	68	......
Evans Fr'k 10p	57	......
Evered	15¼	......
Fife Forge	47	......
Finlay Pkg. 5p	19	......
Graig Ship. £1	120	......
Higsons Brew	82	......
I.O.M. Stm. £1	142	......
Holt (Jos.) 25p	250	......
N'thn. Goldsmith	56	......
Pearce (C. H.)	129	......
Peel Mills	17	......
Sheffield Brick	46	......
Sheff. Refrshmt.	51	......
Shiloh Spinn.	21	......
Sindall (Wm.)	83	......

IRISH

Stock	Price	+ or —
Conv. 9% '80/82	£96¼	......
Alliance Gas	70	......
Arnott	270	......
Carroll (P.J.)	103	......
Clondalkin	85	......
Concrete Prods.	125	......
Heiton (Hldgs.)	49	......
Ins. Corp.	140	......
Irish Ropes	133	......
Jacob	55	......
Sunbeam	30	......
T.M.G.	195	+10
Unidare	72	......

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	23	Tube Invest.	30
A.P. Cement	18	"Imps"	7	Unilever	40
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	10	Inveresk	7	Vickers	15
Barclays Bank	25	KCA	5	Woolworths	6
Beecham	36	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	5
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lots"	5	Intereuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	18
Burton 'A'	13	Lonrho	7	MEPC	12
Cadburys	5	Lucas Inds.	25	Peachey	[illegible]
Courtaulds	10	Lyons (J.)	13	Samuel Props.	10
Debenhams	10	"Mams"	7	Town & City	2
Distillers	13	Mrks. & Spncr.	11	**Oils**	
Dunlop	5½	Midland Bank	25	Brit. Petroleum	35
Eagle Star	11	N.E.I.	20	Burmah Oil	7
E.M.I.	18	Nat. West. Bank	22	Charterhall	3½
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	10	Ultramar	22
Glaxo	40	Plessey	9	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	18	Rank Org. 'A'	18	Cons. Gold	20
Guardian	18	Reed Intl.	14	Rio T. Zinc	16
G.K.N.	22	Spillers	4		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
WEDNESDAY MARCH 15 1978

World trade system 'depends on EEC-Japanese talks'

BY CHARLES SMITH

TOKYO, March 14.

THE FUTURE of the world trading system will be at stake in the coming week's talks between the EEC and Japan, Sir Roy Denman, the EEC Commission's Director-General for External Relations, said to-day.

Sir Roy indicated that the EEC stage of the talks before the arrival next week of the EEC Vice-President, Mr. Wilhelm Haferkamp

He said the consequences would be "very serious indeed" if the two sides failed to produce a "mutually satisfactory agreement" which could be referred to European heads of government at their meeting in Copenhagen on April 7.

He added that it would be "imprudent" to assume that an agreement would be patched up somehow or other to avoid an appearance of confrontation.

"There is an atmosphere of August, 1914, about world trade to-day." Sir Roy said. "Those who insist on believing that nothing serious can go wrong with the existing system may find themselves without their trousers."

Sir Roy indicated that the EEC will expect some "firm commitment" from Japan on the reduction of its trade surplus if the talks are to be considered a success, although he did not say exactly what form of undertaking would be acceptable.

He also implied that Japan would have to offer trade concessions on specific items to convince European exporters that they had a real chance of raising their sales in the Japanese market.

He said that high tariffs (35 per cent. on confectionery, for example, and restrictions of imports on footwear and silk yarn were obstacles hindering EEC exports to Japan.

"While no one would describe the Japanese market as in all respects inpenetrable," the low ratio of manufactured goods in Japan's total imports indicated that "something was wrong," he said.

He criticised Japan's tariff offer for the Geneva Multilateral Trade Negotiations, claiming that it represents a cut of only 18 per cent. on tariffs actually being levied during 1977, although Japan had chosen to present it as a 40 per cent. cut on consolidated tariffs.

There was also scope for speeding up the implementation of the proposed cuts on the present timetable.

On other topics Sir Roy said:

● The EEC does not wish to establish a "trade facilitation committee" on the model of the U.S.-Japan committee set up last autumn.

● The despatch of a Japanese import mission to the EEC, similar to one which is reported to have placed $1.9bn. worth of orders in the U.S. during the past two weeks represents "one of a number of possibilities" to be considered during the talks.

● The package of emergency import measures announced by Japan last Saturday could include some elements that would help to reduce Japan-EEC imbalance, but its contents require further study on the European side.

● On the question of whether a Japanese order for the A300 European Airbus would "placate" Europe, Sir Roy said he was "reluctant to refer to particular products." But he said orders for aerospace equipment would be a "token" of Japan's willingness to solve the problem.

The Japanese official position at the start of the EEC talks is that no tariff cuts can be included with the agreement with Europe because tariffs are now under negotiation at Geneva. (This, however, presumably does not rule out changes in the Geneva offer itself.)

Patriotic Front No to talks plan

By Bridget Bloom, Africa Correspondent

THE LATEST Anglo-American plan to hold a conference between the warring sides in the Rhodesia dispute has been categorically rejected by the leaders of the Patriotic Front, which controls the guerillas.

After two hours of talks with Dr. David Owen, the Foreign Secretary, Mr. Joshua Nkomo and Mr. Robert Mugabe said in London yesterday that they would negotiate only on the basis of the Anglo-American proposals published last September.

The proposed "warring sides" conference planned for New York on March 20, would, the two Patriotic Front leaders alleged, be a departure from the Anglo-American proposals, because it would include all the signatories to the internal settlement signed in Salisbury 11 days ago.

Britain was inclining to the Salisbury agreement, Mr. Nkomo said. "We are not prepared to move towards the Salisbury talkers under whatever guise."

Though there was never much optimism in Whitehall that the planned new talks would take place speedily, the Patriotic Front's outright rejection of plans worked out only last week must be a severe setback to the already troubled Anglo-American initiative.

In his talks with Mr. Cyrus Vance, U.S. Secretary of State, in Washington last week Dr. Owen formulated a plan designed to bring together the leaders of the Salisbury internal settlement and the Patriotic Front, if not in full conference then in so-called "proximity talks."

In London yesterday Mr. Mugabe and Mr. Nkomo said they were not opposed to a continuation of dialogue, but this had to be in the context of last month's Malta talks, at which the principal subjects were the military aspects of a transition to independence in Rhodesia.

Dr. Owen had not accepted a further meeting on this basis, the two leaders said. The conference Dr. Owen proposed would assume a "completely new shape" which while acknowledging the principles of the Anglo-American proposals, would call for the internal and external African nationalist leaders and Britain all to table their own ideas for a settlement.

Indicating that the Patriotic Front leaders found some difference of approach between the U.S. and U.K. Governments, Mr. Mugabe said that the U.S. Government "would like us to proceed on the basis of the Anglo-American proposals."

The U.S. was both clearer and much more forthright than Britain, but did not want to be seen to be out of step with London. Mr. Mugabe added that it was Dr. Owen who "is giving us all the trouble just now."

The Foreign Office put a brave face on the Patriotic Front rejection last night. A spokesman said that the idea of a conference had not been abandoned.

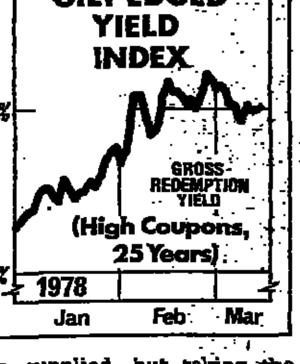
After his talks with the Patriotic Front Dr. Owen saw Senator Chief Chirau, a signatory to the Salisbury agreement, whose declared intention is to convince Britain that she should recognise the deal.

This is the first time that the Senator has seen the Foreign Secretary in London, which could be seen as conferring a new status upon his ZUPO party, which was not involved in the Geneva talks in 1976 nor in subsequent British-led negotiations.

THE LEX COLUMN

Brooke Bond and the tea price

By its uncanny sixth sense the market became increasingly certain during yesterday that the February trade figures would be satisfactory, and though equities showed little movement gilt-edged had an active day and both tap stocks came into action. There were widely different opinions about how much of the long tap had been supplied, but taking the two together anything up to £200m. may have been sold in the nick of time for the March banking month (make-up day is to-day). When the trade figures eventually came at 3.30 there was little follow-through.



Index rose 0.8 to 460.4

Brooke Bond

Bruised from its encounter with the Price Commission, Brooke Bond Liebig is facing a significantly weaker second six months. But its interim results still reflect the benefit of high tea values, which probably averaged a fifth higher than in the comparable period. So overseas trading profits before interest for July-December are 60 per cent. higher than a year ago, reaching £20.62m. which is, however, a little short of the figure reached in the peak six months, January-June 1977. Big gains are reported in Europe, Canada, Pakistan and in the plantations. But it has been a different story in the U.K., where tea volume slumped by half in the July-September quarter and only showed partial recovery later. With problems also in meat, especially pork, U.K. profits emerge a fifth lower. The overall pre-tax outturn for the group after six months is a gain of 39 per cent. to £22.65m.

But the second half last year contributed over £33m., and Brooke Bond will do well to make much more than half as much this time. A forecast of "comparable" overseas profits for the year implies a £4m. or so drop from the first half level, while the U.K. outlook is obscure as the tea blenders face a distribution trade which will not order in normal volume until there is general confidence that prices have bottomed out. Full year pre-tax profits could be much nearer £40m. than the £49.4m. of 1976-77. But against this erratic earnings background the market can at least concentrate on a yield of 9.3 per cent. at 46p.

Grindlays

In 1976 Grindlays Bank swung back sharply into the black. Having lost £7.6m. at the pre-tax level in 1975 it made profits of £30.4m. in 1976. Consequently a £0.3m. advance to £30.7m. in 1977 looks far less impressive and the shares of Grindlays Holdings slipped 5p to 115p where they yield just 3.6 per cent.

Clearly, adverse movements in exchange rates have taken their toll. Last year there was a £2.3m. benefit, this time there was a net disadvantage of £1.6m. Strip this out and Grindlays Bank's after-tax profits are up by 52 per cent. Although Grindlays-Brandts, the merchant banking arm, is fairly heavily involved in shipping, it had "another profitable year" and the bank's involvement in the Eurocurrency markets and the Gulf area paid off handsomely. At the moment the accent is still on rebuilding the capital base: the capital ratios have improved substantially, helped by another £14.4m. of retained profits.

United Biscuits

United Biscuits broke new ground yesterday by becoming the first listed company to publish quantified corporate financial objectives. The company has set itself the target of earning a 25 per cent. return on capital (it actually achieved 21 per cent) and it aims at least to maintain profit margins, though it failed slightly in 1977. Elsewhere UB wants to increase dividends in line with the growth in profits, and it has set itself investment and gearing objectives.

While the relevance of an historic cost-based return on capital target may be questioned—as can be absence of targets for growth in earnings per share and market share — the ge approach is very welcome. now on shareholders in UB some yardsticks to m their company's perform The discipline could be ous, for to be credible UB continue to publish this mation, and it will have to of good reasons if it wa make any changes.

As for the results, 197 fits at £38m. pre-tax a £33m. comfortably excee rights issue forecast of But dilution from the issue means that earning share are only slightly 17.9p. UB says that 197 started well in the U.K., less enthusiastic about th with the result that anothe of modest growth in ea seems likely. The yield per cent.

Kleinwort Benson

On paper at least, 1977 s have been a good year fo merchant banking comm The financial markets buoyant for much of the p there was a fairly high of corporate finance a and the banks' cost of fell sharply. But the me banks seem to be turni an undramatic perforr Rea Bros., the smallest o accepting houses, posted per cent. rise in dis profits last week, while I Bros. showed a 26 per growth. Yesterday, Klei Benson announced a 1 cent. rise in disclosed pro £7.5m.

The latter is probably s only to Hambros in size a experience is more repre tive. Even so, there special factors at work. ing profits were £0.7m. but this included a short £0.4m. or so in profits fro Argyll oil field. As adv were static, the improv came from Sharps Pixley bullion dealing arm, an corporate finance side. bank probably also made able profits on its gilt money book but in co with other merchant ban coy about revealing importance of this eleme its profits.

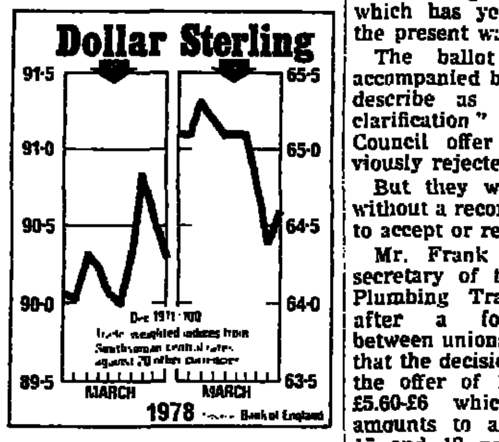
Kleinwort's overall ba sheet grew by roughly a se and its capital base has bolstered by another £9m. of deferred tax in additi the disclosed retained pro £5.2m. At 100p the shares 6.2 per cent.

Dollar falls to new low against yen

BY MICHAEL BLANDEN

THE DOLLAR dropped to another new low against the Japanese yen yesterday in spite of heavy support from the Bank of Japan.

In later dealings in European markets the U.S. currency tended to pick up after a weak start, ending the day only slightly lower against most leading European currencies.



The markets remained extremely nervous, and trading was very thin in the afternoon. Bankers continued to show scepticism about the effectiveness of the measures to support the dollar announced by the U.S. and West Germany on Monday.

This was clearly reflected in the renewed pressure on the Tokyo market. The dollar dropped to Y233 despite active support. The authorities were believed to have bought $100m. out of the day's turnover of $481m.

The dollar opened weak in Europe, and required support in Frankfurt, where the Bundesbank bought $27.3m. at the fixing. It recovered later, starting to slip again in late dealings after New York came into the market.

At the close the dollar stood at DM2.0415 compared with DM2.0490 on the previous day.

Power union leaders will put pay offer to ballot

BY PAULINE CLARK, LABOUR STAFF

UNION LEADERS in the power industry agreed yesterday to put a pay offer "within Government guidelines" to a ballot of some 93,000 electricity workers—the only remaining major group with strong industrial muscle which has yet to settle within the present wage round.

The ballot forms will be accompanied by what the unions describe as a "document of clarification" on an Electricity Council offer which they previously rejected.

But they will be distributed without a recommendation either to accept or reject.

Mr. Frank Chapple, general secretary of the Electrical and Plumbing Trades Union, said after a four-hour meeting between unions and management that the decision whether to take the offer of 10 per cent. plus £5.60-£6 which unions claim amounts to a rise of between 15 and 18 per cent. including productivity, would be left entirely to the shopfloor.

But he added it would be made clear in the document to members that if they vote against the proposed deal, "there will be industrial action."

The union leaders wanted the offer to be brought more in line with the miners' recent incentive deal, but they decided not to recommend rejection because "it would be a recommendation for outright confrontation with the Government.

"This we were not prepared to undertake."

The talks at Millbank, London, were again lobbied by a delegation of about 70 militant shop floor leaders from Yorkshire and other areas of the country, but unlike a similar demonstration earlier this month, no scuffles occurred.

Mr. Mick Barwick, one of the leaders of the unofficial action over pay which caused blackouts throughout the country last autumn, said that if the ballot favoured the offer, he would accept it.

But if the shopfloor was "conned" into accepting a deal without being told exactly what to expect from it, trouble would break out within three months.

Many union officials expect that the offer will be accepted, if only because a large moderate element of the workforce in the smaller power stations will not be keen to take action which could turn public opinion against them and have disastrous effects on industry.

The proposed deal will add £60m. to the industry's wage bill, although this is small compared with total annual revenue of more than £4bn.

The results of the ballot are expected to be made known by the Electoral Reform Society within five weeks. The power workers' pay anniversary falls on March 17.

Cadbury Schweppes criticised over trade discounts

BY DAVID CHURCHILL

THE PRICE Commission yesterday criticised Cadbury Schweppes Foods for offering to major customers trade discounts which were not related to cost savings and which discriminated against smaller supermarkets and corner shops.

The criticisms were made in the commission's report recommending that the company should be allowed to retain price rises averaging 7.4 per cent. for a range of products, including drinking chocolate, biscuits, and jellies.

These rises were implemented last December under the Commission's rules safeguarding company profit levels, pending the outcome of a full investigation

The commission is critical of two elements of the company's pricing structure relating to discounts "which seem to us to conflict with the objectives set out in section 2 of the 1977 Price Commission Act."

First, it says that overriding discounts should be discontinued. These involve setting certain annual targets to encourage customers to keep Cadbury Schweppes Foods as their supplier.

"Our view is that the granting of discounts which are reasonably related to actual or potential cost savings are in accord with the need to promote greater efficiency, but those which tie a customer to the supplier are not."

It believes, thefore, that such discounts "distort competition."

Second, it concludes that trade bonuses—in the form of price reductions or free stock—are not related to cost savings. "Because of their discretionary nature, they may also have the potential to favour larger customers at the expense of the smaller, the commission says.

Consequently, the commission suggests that Cadbury Schweppes Foods should "consider replacing these bonuses with discounts that reflect cost savings and which are not discretionary."

It should carry out its review in conjunction with other companies in the industry, the report adds.

Callaghan 5-point programme

BY RICHARD EVANS, LOBBY EDITOR

A FIVE-POINT programme for concerted international action to boost world trade was put forward by Mr. James Callaghan, the Prime Minister, last night for consideration by Western leaders in the coming months.

"We cannot let this opportunity go. We must find agreement among us . . . the leading nations of the world must decide to move forward in concert by taking measures that will reverse the present trends in trade, growth, instability and unemployment." he declared at the Finance Houses Association dinner in London

His proposals for boosting confidence, made after his six hours of private discussion with Chancellor Schmidt of West Germany on Sunday, were:

Higher growth: Measures to produce greater stability in the currencies: Long-term capital flows, including aid for the less-developed countries; Conservation policies for energy with the special need for the U.S. to follow up President Carter's lead: More trade to avoid the spread of world protectionism.

"A balanced programme resulting from agreement on these matters, followed by collective action, would do a great deal to extricate the world from the present recession."

With the world economic summit in Bonn in July clearly in mind, the Prime Minister said the important point was for leaders to agree on a common programme and adhere to it. In his view, room for manoeuvre existed, without creating another inflationary surge.

World leaders were coming to recognise more and more that matters could not be left to drift. The agreement between the U.S. and West Germany to help bring more stability to exchange rates demonstrated an intensified willingness to co-operate internationally.

Mr. Callaghan's cautious optimism extended to the domestic economy when he claimed that prospects were better than for a long time.

French 'Left pact' attacked

BY DAVID CURRY

PARIS, March 14.

THE LEADERS of France's ruling coalition parties have launched a concerted attack on the declaration of unity drawn up by their Socialist and Communist opponents late last night. They have reaffirmed that the government side would abide ...ly by its previous agreement ...ombine their strength behind ...e candidates in the 423 seats ...e there will be a run-off in ...ay's second round of voting ...e French general election. ...s was the main result of a meeting this afternoon between M. Jacques Chirac, the Gaullist leader, M. Jean Lecanuet, speaking for the centrist alliance, Union pour la Démocratie Française, and M. Bertrand Motte who leads the small Independent party.

After yesterday's euphoria when French equities shot up by 9 per cent. in a single session, the Bourse was to-day in a mood to consolidate.

The clipping of some of the most extravagant gains caused a marginal retreat in prices of French quotations.

Matra, which yesterday could not even be quoted because there were insufficient sellers to match demand, ended to-day's session with a 30 per cent. gain.

The French franc also consolidated yesterday's advance strengthening to Frs.4.72½-4.73½ against the generally weak dollar and firming aganist the Deutschemarg from Frs.2.32½ to about Frs.2.31½.

The coalition meeting did not produce the joint declaration of principles for a new coalition Government which M. Jacques Chirac had said he wanted.

Instead, the Gaullists issued a communique recalling the basic points of their own manifesto.

These embrace the inviolability of the institutions of the Fifth Republic, national independence, a social policy favouring the less well-off, and worker-participation in industry.

It also included the call for a new economic policy based on a return to full employment—another indication that the Gaullists may celebrate an eventual return to power by stepping up their pressure for reflation.

Editorial Comment, Page 22

Weather

U.K. TO-DAY

SHOWERS, bright intervals, becoming cloudy with rain.

S.E., E., N.W., Cent. S. and N. England, E. Anglia, Midlands, N. Wales, Isle of Man

Bright intervals, becoming cloudy with rain. Max. 10C (50F).

Channel Is., S.W. England, S. Wales

Cloudy with rain. Max. 10C (50F).

Lakes, N.E. England, Borders, Edinburgh Dundee, Aberdeen, S.W., N.W. and N.E. Scotland, Glasgow, Highlands, Moray Firth

Bright intervals, blustery showers, becoming cloudy. Max. 7-9C (45-48F).

Orkney Shetland

Cloudy, occasional rain. Max. 6C (43F).

N. Ireland

Sunny intervals, becoming cloudy with rain. Max. 9C (48F)

Outlook: Wintry showers and sunny intervals.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm.	C	7	43	Madrid	F	15	55
Athens	F	13	55	Manchstr.	R	11	52
Bahrain	S	22	72	Melbourne	F	21	70
Barcelona	D	10	50	Mexico C.	S	25	77
Beirut	F	16	61	Milan	R	8	46
Belfast	C	9	48	Montreal	R	3	38
Belgrade	F	11	52	Moscow	C	1	34
Berlin	F	11	52	Munich	F	9	48
Birmghm.	R	10	50	Newcastle	C	10	50
Bristol	C	9	48	New York	R	9	49
Brussels	R	8	46	Oslo	C	3	37
Budapest	F	12	54	Paris	C	10	50
B. Aires	C	25	77	Perth	S	27	81
Cairo	S	24	76	Prague	F	11	52
Cardiff	C	9	48	Reykjavik	C	3	37
Chicago	C	2	36	Rio de J'o	S	33	91
Cologne	C	7	45	Rome	C	15	59
Copnhagn.	R	6	43	Singapore	S	27	81
Dublin	C	8	46	Stockholm	F	4	39
Edinburgh	C	11	52	Strasbrg.	F	12	54
Frankfurt	F	10	50	Sydney	C	27	81
Geneva	F	9	45	Tehran	S	16	60
Glasgow	C	10	50	Tel Aviv	S	17	63
Helsinki	C	−2	28	Tokyo	C	9	48
H. Kong	C	15	59	Toronto	R	5	41
Jo'burg	C	23	74	Vienna	S	11	52
Lisbon	F	15	59	Warsaw	F	6	46
London	C	10	50	Zurich	F	8	46
Luxembrg.	R	4	39				

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	C	15	59	Jersey	R	[illegible]	46
Algiers	C	14	57	Locarno	C	8	46
Biarritz	R	10	50	Majorca	C	15	59
Blackpool	C	9	48	Malaga	F	18	64
Bordeaux	C	13	55	Malta	C	16	61
Boulogne	R	9	48	Nairobi	R	23	73
Casablnca.	F	16	61	Naples	F	14	57
Cape Tn.	S	25	77	Nassau	S	25	78
Corfu	F	14	57	Nice	F	14	57
Dubrovnik	F	13	55	Nicosia	S	16	61
Faro	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	14	57
Florence	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	14	57
Funchal	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	11	52
Gibraltar	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	17	63
Guernsey	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	14	57
Innsbruck	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	16	61
Inverness	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	15	59
Is. of Man	[illegible]	[illegible]	[illegible]	Venice	[illegible]	5	41
Istanbul	[illegible]	[illegible]	[illegible]				

S—Sunny, F—Fair, C—Cloudy, R—Rain, D—Drizzle.

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هكذا من الأصل